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“This paper is done as a part of the undergraduate program at BI Norwegian School of Management. This does not entail that BI Norwegian School of Management has cleared the methods applied, the results presented, or the conclusions drawn.”

Executive summary

On behalf of Scana Propulsion, four students have conducted this thesis. Scana Propulsion is a concept where Scana Volda, who is a Norwegian company, holds the majority share. Scana Propulsion is producing intergraded propulsion systems and tunnel thrusters. The thesis aim is to provide Scana Propulsion with knowledge and information about Chinese ship owners and shipyards way of making decisions, in accordance to purchase, and find out how to approach them in the best possible way. The authors have collected secondary data, and conducted in-depth interviews as a basis for this thesis.

China's offshore- and shipping industry is rapidly growing, along with the nations' economy. Scana Volda has been present in China since 2005 with a Representation office, and Scana Propulsion entered the market in 2009. Ever since the beginning, they have put a lot of emphasis on capturing projects from the Western companies established here, and less effort towards the Chinese. Therefore, Scana Propulsion China wanted to find out how they could reach the Chinese customers, and where in the buying process they should approach in the best possible way.

Throughout this thesis, the authors experienced that the buying process were quite similar between Western companies and Chinese companies, even though the buying process is a Western model. The authors gained knowledge about how the decisions are made, and on which attributes of the products and the suppliers that are of most importance. This would be of great knowledge to Scana Propulsion. The authors have, from the information collected, proposed different suggestions on how to reach preferred customers and how to reach the goals stated, according to the critical success factors that must be present in order to reach the goals declared.

A big part of this thesis discusses the importance of establishing relationships. This is essential for any company doing business in China, and especially in the offshore segment, as the relation between a customer and a supplier could determine the decision.

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Abbreviations and explanations

Azimuth Thrusters – a configuration of ship propellers placed in pods that can be rotated in any horizontal direction, making a rudder unnecessary. These give ships better maneuverability than a fixed propeller and rudder system.

Bigger Sized Thunnel Thrusters – thrusters with bigger capacity and power

B2B - Business To Business

CCS – China Classification Society

COO – Country of Origin

CSR – Corporate Social Responsibility

CSF - Critical Success Factors

DNV – Det Norske Veritas

Evoked Set – A shortlist of potential suppliers, the customers knows, and has to choose from within the purchase decision-making process.

First Mover Advantage – The advantage gained by “the first mover” that are a significant occupant of a market segment.

IWOM – Internet Word Of Mouth

LTO – Long Term Orientation

PDI – Power Distance Index

POE – Private Owned Enterprises

PRC – People’s Republic of China

RBV – Resource-based view

SI – Scana Industrier

SOE – State Owned Enterprises

SME - Scana Mar-El

SP - Scana Propulsion

SPD - Strategic Problem Definition

SV - Scana Volda

SWOT - Strengths, Weaknesses, Opportunities, Threats

SZ - Scana Zamech

TEU - Twenty-foot Equivalent Unit

UAI - Uncertainty Avoidance Index

WOM - Word Of Mouth

WTO – World Trade Organization

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Part I: Background

The purpose of this part is to provide the reader with an introduction and background information about the thesis, through the problem statement, background to research, research aim, research questions and motivation for research. Background information about Scana Propulsion will be provided in this part. The authors have made a general outline to provide the reader with an overview of the whole thesis:

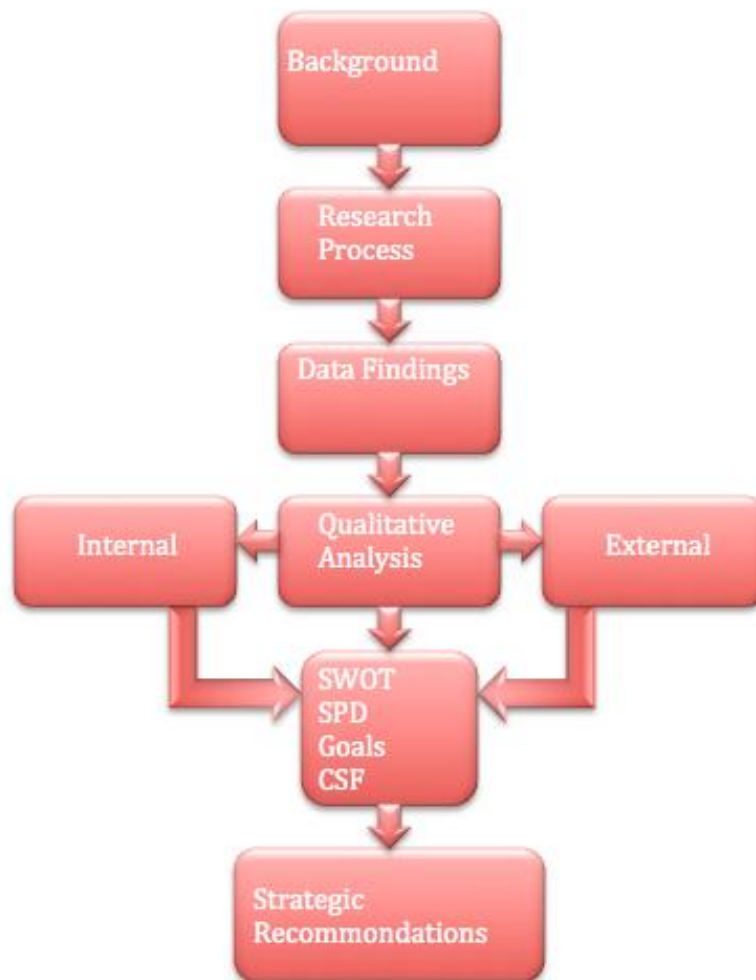


Figure 1: Bachelor Thesis Overview. Made by the authors 2011

1. Introduction

This report is written by four students as a final bachelor thesis for BI Norwegian School of management at Fudan University, on behalf of Scana Propulsion China. Scana Propulsion is a concept between Scana Volda, Scana Zamech and Scana Mar-El, who together deliver propulsion packages to vessels. The process of the thesis began when the authors got in contact with Christian Rugland, CFO of Scana Industrier in Norway. Mr. Rugland sat the authors up with Kirsti Gjørvad, the Sales and Marketing Director of Scana Volda in Norway, as he wanted the authors to research the marine sector of Scana Industrier. Seeing that the authors are studying in China, the Scana Propulsion concept was given to the authors for their research, as a market research in China was needed. Scana Volda's Representation office in Shanghai is concentrating on this concept, and wants to establish this concept as their brand name in China. Scana Propulsion has mainly been concentrating on reaching Western ship owners and shipyards, but after the financial crisis Scana Propulsion saw it crucial to enter and be competitive in the market of sales towards the Chinese ship owners and shipyards. As the competition is hard, and Scana Propulsion needs to gain more knowledge on the subject on how to reach the Chinese customers, the problem definition is stated as followed:

“How and when should Scana Propulsion approach the Chinese customers in the best possible way in order to be the chosen supplier, during the Chinese customers' process of making purchase decisions?”

1.1 Background to research

Since the beginning of 1980, People's Republic of China (PRC), with approximately 1.3 billion inhabitants, have emerged and slowly but surely become integrated in the world economy. With an expected economic growth between 6 and 10 per cent, PRC will in the next 10-20 years become the world's next largest economy, after the USA, and by 2030 the largest. (Solberg 2009) PRC is now world leading in shipbuilding and their accomplishments in the shipbuilding

industry have drawn worldwide attention (People's Daily Online 2010 URL). PRC possess a 40 per cent market share in the shipbuilding industry, and plans to maintain its current position during the next five years (Ship and Offshore net 2011 URL). However, to maintain this market share is not easy, but there is no doubt that there will be high activity in the industry which leads to huge potential and competition for marine equipment companies, such as SP in PRC.

According to an interview with Jack Zhu (2011) there has been a high level of activity within ship construction in both Europe and Asia. SP wishes to expand their market share in PRC, and develop sustainable relationships with Chinese customers. The establishment of a Representation office in Shanghai for the sale and service of gears and propulsion systems has proven to be a strategic success, whereby SP's position in the Asian market is now strengthened both commercially and technically. The natural way for SP's further actions will be to expand in PRC and in order to succeed they need to reach out to the Chinese shipyards and ship owners.

As mentioned, SP has struggled getting in contact with Chinese ship owners and shipyards. When they first entered PRC in 2005, it was natural to put a lot of effort into international ship owners and shipyards, as they were the leading companies within shipbuilding at the time. Throughout the financial crisis that hit the world in 2008, it became clear that activities towards the Chinese customer were crucial to succeed in PRC. During the financial crisis many international companies lost their ability to pay, and they could not rely on the banks to get loan. This led to a huge chance for Chinese ship owners and shipyards, and they became dominant players in the market. Many Chinese SOE's could then rise and shine, as the government supported them financially. SP needs to establish great and valuable long-term relationship with the Chinese customers as well, in order to survive in the Chinese market. These activities are to some extent already initiated, but SP needs further knowledge on the subject and intensity, in order to be competitive in the market. In the competitive environment where SP operates, they were the latest one to enter PRC. This means SP has a smaller network, and has developed fewer relationships than their main competitors. (Zhu Interview 2011)

1.2 Research Aim

The aim of this report is to provide SP with knowledge about how Chinese ship owners and shipyards make decisions in accordance to purchase. Today SP is operating in different segments, but the future market focus is on the high-end market. Therefore, the authors will do the research in the offshore segment, which is a high-end market. The authors will in addition give a suggestion about how SP best can approach the potential customers in the process of purchasing propulsion systems. To sum up, the aim is stated as followed:

The aim of this report is to provide Scana Propulsion with information about the decision-making process in accordance to purchase decisions, for Chinese ship owners and shipyards in the offshore segment, in order to find out how and where SP should approach them in this process.

1.3 Research Questions

To reach the research aim the authors have outlined six research questions for the thesis:

- 1) How does the decision-making process for Chinese ship owners and shipyards differ from the west, and how does the complex Chinese business culture affect the decision making process?
- 2) Who does the buying centre consist of, and who has the most power and influence when making a decision?
- 3) Are there any regulations that are crucial for the decision-making process?
- 4) Are there any differences in the decision-making process between the Chinese ship owners and the shipyards in the offshore segment?

-
- 5) What are the Chinese ship owners and shipyards preferences and expectation to a potential supplier, and what product and service attributes are of highest and lowest importance?
 - 6) How are SP's main competitors approaching the Chinese ship owners and shipyards in the offshore segment?

1.4 Research limitations

The authors have experienced research limitation in the secondary data collected, and the primary data collected. It has been challenging to find secondary data that is relevant to the research aim. Most of the web sites that the authors have been recommended by SP, that contains information about the research subject, are written in Chinese. The authors' lack of reading Chinese has made this an inconvenience. The authors had to rely on information in English, and were not able to use the Chinese web pages, which could have provided valuable information. The authors have faced difficulties regarding the spoken language. Because of the lack of ability of speaking Chinese, the authors have been provided with an interpreter when interviewing Chinese-speaking interviewees. The interviews have been recorded to avoid errors and defects. The fact that the interviews have taken place in PRC has also influenced the interviews. The authors had to gain knowledge about how to conduct interviews in PRC, to avoid unfortunate and unpleasant situations due to cultural differences.

One major limitation for the thesis is the fact that the authors have not had any strategy courses at BI School of Management in Norway, or at Fudan University. As a major part of the thesis is strategy, the authors have conducted this in the best possible way. Besides, the lack of education in this course have made the job more challenging for the authors, as they in addition had to study this subject in order to write the thesis.

1.5 Motivation for the research

The authors are all Norwegian undergraduates, living in PRC, through an exchange program between Fudan University and BI Norwegian School of Management. The main motivation for the research is to explore the Chinese market, and gain more knowledge on business in PRC. The authors got in contact with SV in Norway, before moving to Shanghai, and have been in constant contact with the company. In collaboration with SP, the authors developed a problem assignment both relevant for SP and for the authors according to their academic knowledge in international marketing. The authors found it interesting to use previous knowledge and experience to develop their thesis. During the work, the authors have acquired knowledge and valuable experience, which can be beneficial in the future. The authors have gained valuable information about the shipping industry in general, the offshore segment, the Chinese market and the Chinese way to do business and make decisions.

2. Scana Propulsion Background

The purpose of this part is to introduce background information about Scana Industries, the Scana Propulsion concept, their products and their market position. In addition, the authors will introduce SP's future market focus and information about the offshore segment.

2.1 Scana Industrier ASA

The Scana group was initiated in 1952, and has since then developed and grown to be one of the world's leading manufacturers within their three business areas; Steel, Marine and Oil and Gas. Due to their long history, Scana Industrier (SI) is left with a lot of valuable knowledge that makes them experts in their field, and is able to develop the company into a centre of competence, and establish a great reputation among their stakeholders. Their product lines from most of their companies are offered in one or more of four market segments: marine, energy, oil and gas, and steel and machinery. The main task for the steel area is to manufacture customized steel forgings and castings for the oil and gas, energy,

marine, machine and tool industries. The oil and gas areas are engaged in design and production, laboratory services, marketing and sales. In addition they are engaged in maintenance and repair of equipment and steel components for the oil and gas industry. The marine area develops and produces propellers, gears, tunnel thrusters, and valve control systems for ships. (Scana 2011 URL) SI possesses market-leading expertise in these areas, and in the future the company wish to sell a greater proportion of finished products and solutions. SI's expertise within technological and commercial issues is spread throughout the companies, whereas the Scana Group's management team and finance and accounts function are based at the head office in Stavanger, Norway. SI's technology, unique knowledge of materials and extensive production experience is the basis of their competitive power. The majority of their customers are located in Europe, the USA and South East Asia. Scana Industrier has companies in Norway, Sweden, Poland, China, Singapore, Korea, USA and Brazil, as well as associated companies in a number of countries. They are committed to its customers through excellence in supply of engineering, materials, and manufacturing and complete life-cycle support. Scana Industrier's vision is: "*Scana Creates Progress*". (Scana 2011 URL)

2.2 Scana Propulsion

The authors are assigned to the Marine sector where the thesis will be written on behalf of the Scana Propulsion concept. SV has observed that packaged solutions are becoming more and more sought after, and caters to this demand through strategic collaborations between relevant partners. This resulted in the Scana Propulsion concept, which was created in the beginning of 2009. In this concept there are three companies cooperating; Scana Volda, Scana El-mar and Scana Zamech. Together they deliver the whole propulsion package, in order to offer the same customers the whole product line under one brand name. Scana Volda, which is our client, holds the majority in the SP concept. (Zhu Interview 2011) Due to this, information about Scana Volda will be used in the report with the intention of explicating the current situation.

To commit to a better understanding of the SP concept, a brief introduction of the partners will be presented.

2.2.1 Scana Volda

Scana Volda (SV) is SI's daughter company, and is a well established supplier of efficient and economic propulsion systems. The company adds CP-propellers and ships reduction gears to the assortment of marine equipment. SV has 90 years of experience in manufacturing of ship's equipment. The company is established in the market as an independent supplier of propulsion equipment design and manufactured in house, with its own sales-, marketing- and service organization. SV emphasizes high quality and excellence in all phases of design, production, assembly and commissioning. SV's core values are: The customer in focus, quality in all activities, innovation, safety and job satisfaction, and profit and limited risk exposure. The year 2009 was challenging, with a low order intake and a large number of cancellations worldwide. SV is not untouched by the situation, but due to a large amount of projects for the offshore segment, the company avoided the big share of cancellations within the bulk and cargo segment. (Scana 2011 URL)

2.2.2 Scana Mar-El

Scana Mar-El (SME) is one of Europe's leading manufacturers of maritime control systems for propulsion and manoeuvring of ships, in addition to control systems for special applications. The systems are supplied for most types of vessels, from fast ferries and yachts to fishing boats, ferries and supply vessels. One of SME's main focuses lays now on refurbishment sales along with a grown commitment to service and after sales. Their key customers are engine suppliers, gear and propeller manufacturers, as well as shipyards and shipping companies. The systems are supplied to vessels throughout the world, many via Norwegian and European engine, gear and propeller manufacturers. SME's agency department supplies components of very high quality. (Scana 2011 URL)

2.2.3 Scana Zamech

Scana Zamech's (SZ) primary focus lies on ship propulsion systems within the marine market. The company designs and manufactures controllable pitch propellers, fixed pitch propellers, tunnel thrusters, shaft line systems and rudder arrangements. SI acquired the company through the acquisition of ABB's marine

activities in Poland. Through the new ownership, SZ got a wider range of products and increased business activities that reached new customer groups. SZ provides a range of products, services and expertise for most vessel types. SZ's customer base includes ship owners from all over the world, in addition to the main European and Asian shipyards and engine manufacturers. (Scana 2011 URL)

2.3 Products

SP's commitment is based on their knowledge and competence when developing new products. Valuable feedback from the customers in the marine business is also important for SP, to keep up with the technological level in the industry. (Scana brochure 2011)

SP's experience and close location to clusters in the offshore segment have provided them with knowledge of new developments and requirements regarding vessel design, and how to fulfil the obligations to each vessel when it comes to propulsion. (Scana brochure 2011)

“Scana is one of the world's leading companies in development of integrated propulsion systems, and has built a worldwide reputation for engineering products of the highest quality” (Scana Brochure 2011). Repeat business is the best advertisement for the quality and reliability of a product. Their products exist of propellers, reduction gears, tunnel thrusters and remote control systems (SP brochure 2011).

2.3.1 Propellers

SP manufactures cp-propellers in the power range from 500kW to 15 000 kW. A hydrodynamic design of the propeller blades, preferably based on data from model tests of the vessel and adapted to the ship's service profile secures the customer's optimum overall efficiency of the vessel. SP's construction criteria are always based on minimum cavitations and lowest possible noise/vibration level. (SP brochure 2011)

2.3.2 Reduction gears

SP's gearboxes are based upon long experience, engineering skills and excellent workmanship to make them one of the most reliable gearboxes in the market. SP's reduction gearboxes are manufactured in the power range from 500 to 20 000 kW. All materials used in the gearboxes are carefully selected to ensure the right conditions of the product. The gear house is made of high quality cast iron to achieve a rigid and stiff design to absorb safely all forces during operation at maximum load. (SP brochure 2011)

2.3.3 Tunnel Thrusters

Scana has since the early 1970's, manufactured Tunnel Thrusters with controllable and fixed pitch propeller. Maximum thrust and efficiency, at minimum noise and vibration level, have been the design parameters. This product is highly environmentally- friendly, as the thrusters can operate on biodegradable oil and eliminates risk to the environment. (SP brochure 2011)

2.3.4 Remote control systems

The remote control system is based on an electronic computerised platform. The flexibility of the remote control system ensures easy adjustment and adaptability to meet the requirements from the propulsion system. The system interfaces all kinds of prime movers. The Processing Unit connects the output and inputs signals from all control units, sensors, and control panels related to the entire propulsion system. The Processing Unit can be supplied with a computer screen for monitoring the status of the propulsion system. (SP brochure 2011)

2.3.5 Service

Service is an important attribute for SP's customers. SP is therefore putting more and more weight on offering good service to propellers and reduction gears in operation. To please the customers they use their worldwide network of agents and service stations, so they can offer 24-hour service if spare parts or support are of request. SP's service team has also special product knowledge, as the same

people both are assembling and maintaining the gears, propellers and rudders. With all the input their repairs and exchanges will be a fast process that sets the foundation for continuous and safe operation in order to avoid unpleasant and expensive stops. (SP brochure 2011)

2.4 China market

PRC has one of the most emerging economies in the world, and the world's biggest market with a population estimated to approximately 1.3 billion. With an annual growth of BNP on approximately 10 per cent over decades, PRC is predicted to be the dominant economic superpower before 2030. (Solberg 2009) PRC is discussed along with Brazil, Russia and India (BRIC) to be the leading nations in the world finance over the coming years. However, PRC is accused for keeping their currency low to gain cost advantages in the Western markets, from their production industry. Even though PRC has been a member of WTO since 2001, their "closed" economy is questionable when referred to the vision of developing free and open markets. It will take some time for PRC to be considered as a secure country to invest in because of the financial situation and the unstable political environment. (Solberg 2009)

SV entered PRC with a representation office in Shanghai in 2005. From 2006 to 2008 there was sustainable growth in the industry. SV produced propeller systems and gears for Chinese shipyards and sold mostly to European ship owners. During the financial crisis though, which started in 2008, Europe was worse affected than PRC. While most European ship owners could not get financing from the bank, the Chinese government speeded up the investment in the shipbuilding industry. This resulted in that several new Chinese ship owners entered the market, as the government financially supported them. (Zhu Interview 2011) This and the fact that PRC has all the right criteria, with a relatively low labour cost, plenty of shipbuilding sites along the extensive coastline and an active and growing steel industry, makes the country extremely attractive for foreign ship owners and investors. The marine market has been and is growing rapidly, and will soon be the number one market in the world, in terms of tonnage and number of ships. When mentioning tonnage it is important to highlight that the demand for bigger ships is increasing. PRC is now the country with the largest amount of ships built,

but behind Korea in terms of tonnage, which most likely is about to change (Inserve 2011 URL). Nowadays container ships are built to the size of 10 000 to 12 000 TEU, but the future demand is requesting container ships at the size of 16 000 to 18 000 TEU. This results in a demand for bigger tunnel thrusters, which is of importance for SP. (Zhu Interview 2011) There are many shipyards that are in the process of development in PRC and many of the vessel builders are basically farmers, which mean the need for competence and training is huge. Although, there are also a large core of well developed state owned shipyards that have been building ships for many years, and the smaller and less experienced shipyards do however learn very quickly. PRC has a large number and a huge variety of shipyards; in total there are around 3000 shipyards. (Inserve 2011 URL) This reinforces the fact that PRC has moved into second place in the world based upon a large number of yards with relatively small order books, rather than a small number of yards with large order books. Since the ship building industry is relatively new in PRC, the need for after sale service and ship repairs is fairly little. Though, it is reason to believe, as this industry grows, that this need will increase tremendously, which makes it important to be ready and move quickly to meet this coming demand and get a competitive advantage. (Zhu Interview 2011) The Chinese market is huge and full of opportunities, even though the competition is hard, it is a very important country for SP to be operating in and find a place to grow, as this will probably be the market of the world's leading economy.

2.4.1 Competitors

SP has two different types of main competitors. The company corporate with a German company called MaK, which is a part of the Caterpillar Group. MaK produces engines. Together with SP they offer engines and marine systems to the market, consisting of SP's propulsion system and MaK's engines. Together with MaK, SP holds the majority of the market share of international customers in PRC. The main competitors in this group are the German company MAN, the Finish company Wartsila and the English company Rolls Royce. These three companies provide the market with engines and marine systems (Wartsila, MaN Diesel Turbo and Rolls Royce 2011 URL). SP cannot rely hundred per cent on

MAK, as they also corporate with other companies. Therefore SP needs to sell directly to ship owners and shipyards in addition. The disadvantage of this is that most of the customers prefer to purchase a package, which SP cannot offer alone. The main competitors competing directly with SP are the Swedish company called Berg Propulsion and a German company named Schottel. Berg Propulsion is SP's biggest competitors, as they do to deliver propulsion systems.

Mr. Zhu (Interview 2011) states that the competition in the Chinese offshore market is challenging. There are numerous Western companies that operate in the market, and similar products characterize the market. The market is dominated by higher supply than demand, which contributes to the importance and growth of long-term relationship marketing. Mr. Zhu (Interview 2011) also conveyed that the market is relationship oriented, and that the importance of "guanxi" is high.

2.4.2 Future market focus

The market can be divided into two main segments with levels in between; High-end and Low-end. The high-end market consists mostly of SOEs, which are quality-oriented, while the low-end markets consist mostly of private owned companies, which are more price-oriented. SP wishes to gain a bigger market share in the high-end market and withdraw from their presence in the low-end markets. (Zhu Interview 2011) This will be illustrated for the purpose of showing where SP wants to gain more market share.

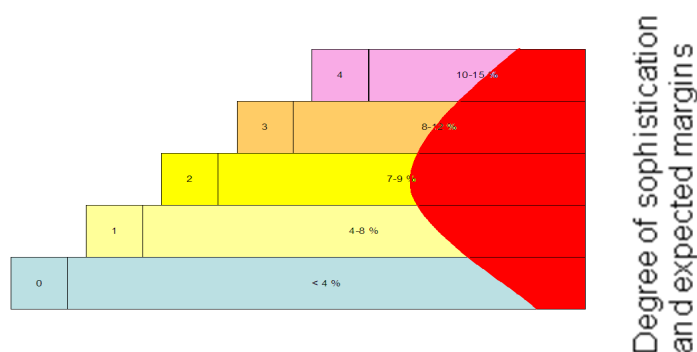


Figure 2: The market today, from Scana Propulsion's business plan 2009-2013

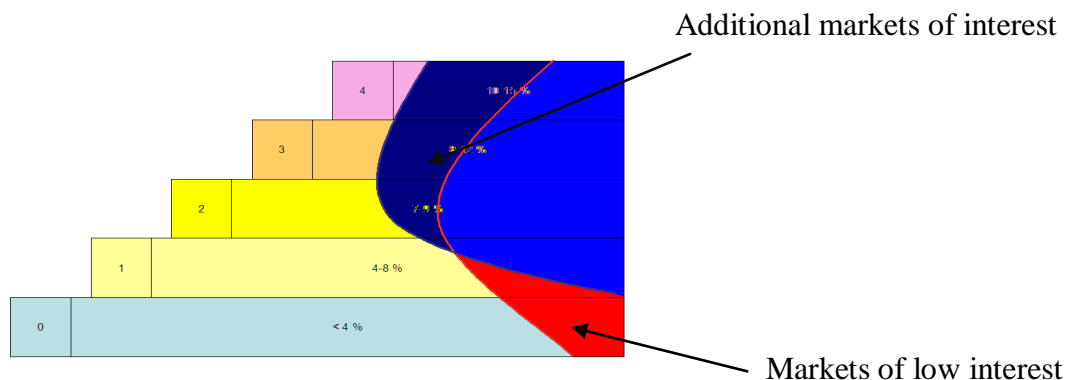


Figure: 3 Markets of interest, from Scana Propulsion's business plan 2009-2013

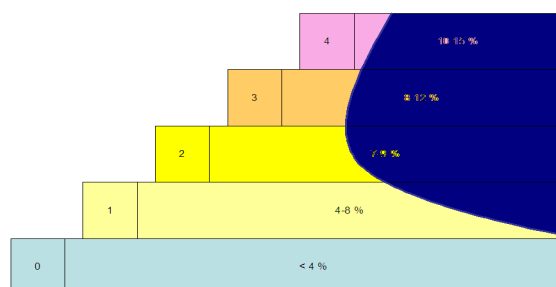


Figure 4: Future market focus, from Scana Propulsion's business plan 2009-2013

2.4.3 The offshore segment

The authors have explored the decision-making and buying behaviour in the offshore segment in PRC, as it was of the client's interest. The offshore segment is an industry that requires high know-how and expertise, because of the complexity of an offshore vessel, with all its systems and technology on board. The fact is that these types of vessels perform a way more complicated task than what is for instance the case for a bulk vessel (Zhu Interview 2011). Given the fact that PRC as a shipbuilding nation is a relatively new player, they have not yet managed to build up the high-end know-how, which is vital to build offshore vessels (Zhu Interview 2011). However, the Chinese government has in several cases shown that they are willing to subsidize the shipbuilding industry in PRC and almost encourage them to build up their expertise. The Chinese shipyards are

willing to grab further market share and is showing a competitive and fast growing attitude (Zhu Interview 2011). Based on this fact, a company like SP with its long ship building tradition and in house know-how is definitely of interest to the Chinese yards.

Part II: Research Process

3. Methodology

The purpose of the methodology chapter is to inform the reader about which methods that are used for the thesis' research. The authors have chosen these methods carefully, in order to reach the research aim the best possible way. Gripsrud, Olsson and Silkoset (2010) states that it is the problem definition that determines which method should be used in a given case, but often it is beneficial to use the two main types of methods in connection with an issue. The two main types of methods are secondary- and primary data. In this report the authors have used secondary data to collect information about the Chinese market and the Chinese business norms and values. Both main types of methods are conducted in a qualitative way. Because of the aim of this research, the main focus will lie on the primary data. An illustration of the research process, have been made by the authors:

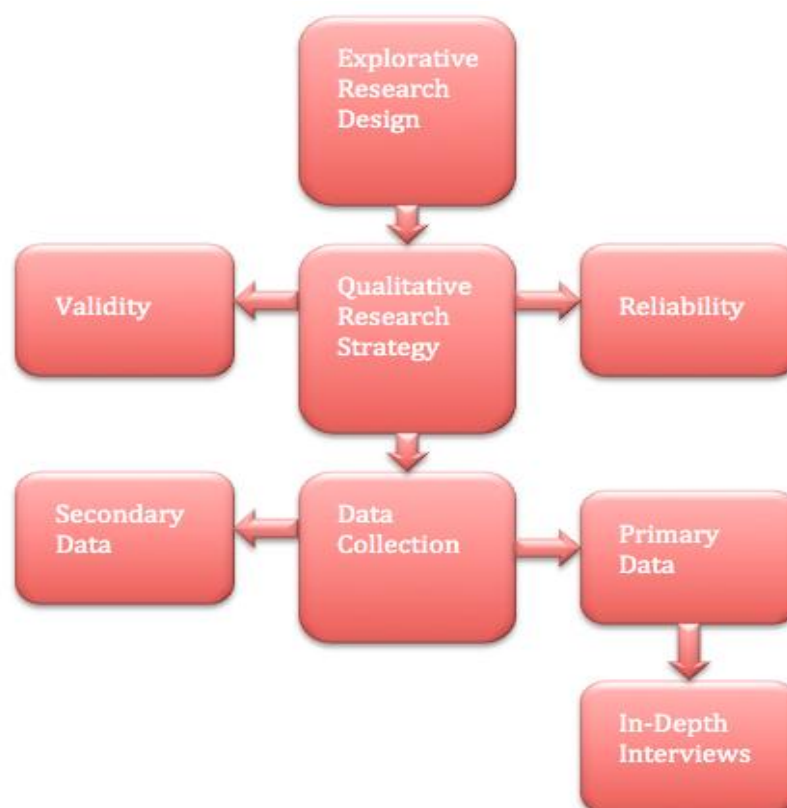


Figure 5: Research Process Model. Made by the authors 2011

3.1 Research design

“A research design provides the framework for the collection and analysis of data” (Bryman and Bell 2007). The choice of design depends on how much the authors know about one field, and what ambitions the authors have with respect to analyse and explain relationships. There are three main types of research design: explorative research design, descriptive research design and causal research design (Gripsrud, Olsson and Silkoset 2005). The authors have chosen an explorative design for this report.

3.1.2 Explorative design

When a researcher basically has little or no knowledge about the subject, the primary research goal could be to explore the theme more closely. In advance there will often be no clear perception of the relationships that may exist. In this situation, better insight in the problem area is of high importance, and the goal for the research could be to understand and interpret the relevant phenomena in the most optimal way. A natural start in explorative design is to research secondary data available. Primary data like in depth-interviews and focus groups can be used for broader knowledge. (Gripsrud, Olsson and Silkoset, 2010)

The authors had little previous knowledge about the subject and were in need for more research in the problem area to gain a deeper understanding. To explore the subject more closely the authors have performed in depth-interviews using an explorative design. The findings of the thesis are therefore conducted in a qualitative way.

3.1.3 Qualitative research

Qualitative methods are research strategies that emphasize words rather than quantification in the collection and analysis of data. One example of qualitative methods is in-depth interviews. These provide high quality data, but are often expensive and consummate a high rate of resources. The authors are using an

inductive method, which generate the theory. Qualitative research embodies a view of social reality as a constantly shifting emergent property of individual's creation. (Bryman and Bell 2007)

3.2 Reliability

Reliability concerns as to what extent a measurement will yield the same result if repeated many times. A measurement will always contain random errors. A measurement is more reliable the smaller the random errors are. (Gripsrud, Olsson and Silkoset 2005, 123) The authors have secured reliability to a greater extent, in the primary data collected by asking the same questions to all the ship owners and shipyards interviewed. The authors have additionally applied secondary data, but one cannot know how valid or significant these are, therefore they should be handled with care.

3.3 Validity

Validity means if the research is valid or not. "Validity is concerned with the integrity of the conclusions that are generated from a piece of research" (Bryman and Bell 2007, 41). There are two types of validity:

3.3.1 Internal validity

Internal validity tells us if the model we practice correspond with reality. "Internal validity is concerned with the question of whether a conclusion that incorporates a causal relationship between two or more variables holds water". (Bryman and Bell 2007, 41) To ensure internal validity, the authors have outlined the interview questions from each research question, and thoroughly ensured that the interview questions will provide the answers needed for the theories applied, and the thesis aim.

3.3.2 External validity

External validity deals with generalization; you simply ask if this research apply to others than those who were asked. At high external validity, we can transfer our findings to other settings, people and time. "*It is in this context that the issue of*

how people or organizations are selected to participate in research becomes crucial". (Bryman and Bell 2007, 42) To ensure external validity, the authors have chosen the interview objects carefully, in order to secure that they possess valuable information within the research area.

3.4 Data collection

3.4.1 Secondary data

Secondary data is information collected by others, for another purpose than the current one. (Gripsrud, Olsson and Silkoset 2005, 78) The secondary data is divided into *internal sources* and *external sources*. Internal sources are information within the organization and external sources is information you get outside of the organization. One advantage of secondary data is that time and money can be saved, due to the fact that this is already collected data. The authors have collected internal data from SP, and external data about decision-making in general, the Chinese culture and the Chinese market.

3.4.1.1 Secondary data limitations

When collecting secondary data one needs to be aware of possible errors. As long as you have not collected all the data yourselves, you can never be absolutely sure that there have been no mistakes during the process, consciously or unconsciously (Gripsrud, Olsson and Silkoset 2005, 79).

The authors have also been limited by finding reliable external data, because of the many Chinese written websites, and the authors' lack of knowledge concerning the Chinese language. There will therefore be more emphasis on the primary data collected, than the secondary data.

3.4.2 Primary data

Primary data is information collected by the researchers. The primary data is divided into two parts, qualitative and quantitative methods. Quantitative data is data that can be expressed in numbers or quantity of units, while other data is

described as qualitative (Gripsrud, Olsson and Silkoset 2005, 97).

The authors have chosen qualitative methods to assemble information about the decision-making process for Chinese ship owners and shipyards in the offshore segment. The method used is in-depth interviews because of the personal experience, opinions and related issues are at prominent interest. The authors have used e-mail interviews in order to ask additional questions to interview objects, and one interview object the authors were not able to set up a meeting with.

3.4.2.1 In-depth interviews

Individual in-depth interviews are carried out when an individual's personal experiences and opinions is of interest to the researchers. These interviews are carried out in a one-to-one situation, with an interview guide as a basis. Most common is to interview fifteen to twenty respondents, with one interview lasting for one hour. This is a time consuming and difficult process, and it is important that the findings cannot be generalized to the whole population. The benefits of in-depth interviews are that there is a great extent of individual information, and there is no group influence. (Gripsrud, Olsson and Silkoset, 2005)

The authors have used semi-structured interviews. According to Bryman and Bell (2009), semi-structured interviews are interviews where the researcher has a list of questions on specific topics, often referred to as an interview guide. Questions may not be followed exactly like they are outlined, and questions that is not in the guide may be asked. This gives the authors the possibility to be flexible and come up with additional questions during the interview as they pick up on things said by the interviewees. *"But, by and large, all the questions will be asked and similar wording will be used from interviewee to interviewee"* (Bryman and Bell 2009). The authors have used in-depth interviews to uncover who is taking decisions in accordance to purchase, and who are involved in this process.

The authors have carried out eleven in-depth interviews, which took place in Shanghai, Nantong and Ningbo. The interview objects are two internal

respondents from SP, four Chinese ship owners, one Western ship owner, two Chinese shipyards and two ship designers. Together with a representative from SP, the interviews were carried out at the interview objects offices, which allowed for a quiet and private space without interruptions. The authors outlined two different interview guides; one guide for the ship owners and shipyards, and one for the ship designers. By asking the same questions to all the interviewees in the same group, the authors secured reliability. To ensure the validity, the authors have chosen their interview objects carefully, and made sure that the right questions were asked to the right people. The same interview guides were used for Western and Chinese ship owners and shipyards, in order to uncover differences. A different set of interview questions were used on ship designers, in order to discover their knowledge and influence in the decision-making process. The interviews were tape recorded for the purpose of reducing possible language limitations and to help correct the natural limitations of memory. The authors were in addition tape recording to allow a more thorough examination of what the interviewees said. Some of the interviews were carried out in Chinese with the representative from SP as an interpreter.

3.4.2.2 E-mail interviews

The authors have conducted one e-mail interview. This was to save time and because the authors did not get the opportunity to meet the relevant. E-mail interviews are often efficient. The interviewers can provide a complete introduction and a list of questions. If the interviewee corporate, he/she will supply a digital file of information that can be relevant for the interviewers. Yet another advantage might be that an e-mail interview provides a written record of what the interviewees say, in case they will dispute something. The source also gets the chance to think through the questions, and give a more complete answer. There are also disadvantages of using email interviews. You miss the chance to ask follow up questions and also the chance of seeing the interviewees' reaction, when asking the questions. (Poynter 2003 URL)

3.4.2.3 Interview selection

The authors have selected interview objects that have knowledge and experience about the Chinese ship owners and shipyards way to make decisions. In order to analyse the process of decision-making, the authors found it crucial to interview the people that are making or having an influence on these decisions, the Chinese ship owners and shipyards themselves. The authors have in addition interviewed one Western ship owner, two Western ship designers and a Western company in the offshore segment, for the purpose of seeing the differences between the two business culture in this manner, and for gathering information they possess about the ship owners and shipyards' decision-making. They are in constant contact with them, and are in addition great influencers. For this reason they have provided the authors with valuable knowledge.

1. Jack Zhu (Interview 16.02.2011 and 17.04.2011, Shanghai)

Jack Zhu is the author's main contact person at SP, Shanghai, and is the Chief Representative. He graduated from Dalian University with a bachelor in shipping engineering, and took his master degree through BI Norwegian School of Management's MBA program at Fudan University in Shanghai. From 1996 till 2001, he was working as a ship engineer at sea. In 2002 he worked for a German company called MAS (Marine Assemble System) where he was in charge of the representation office. After they set up their own factory outside Shanghai he left to work for SV in 2005. He was sales manager for two years and in October 2007 he was promoted to chief representative.

Mr. Zhu's great experience and knowledge in the shipping industry has provided the authors with valuable information for the thesis. He has been of great help in order to collect both internal data and external data. He has been present at most of the interviews, as an interpreter.

2. Daniel Zhou (Interview 01.04.2011 and 21.04.2011, Shanghai)

Mr. Zhou is the Sales Manager at SP, Shanghai, and has been working at SP since June 2010. He has education from Nanjing Normal University where he studied

English, and from Jiangnan University with a degree in Business Administration. Mr. Zhou has experience from Westinghouse Electric Corp, where he worked as a Project Administrator for six years. Before he started to work for SP, Mr. Zhou worked at Wartsila as an account Manager on Service and Sales for nine years.

Mr. Zhou has a lot of knowledge and experience with the Chinese market. He has provided the authors with valuable information concerning Chinese business culture and norms. He has been present at most of the interviews, as an interpreter.

3. Kirk Du (Interview 29.03.2011, Shanghai)

Mr. Du is the Deputy Managing Director of Ulstein China. The Ulstein Group is a Norwegian ship designer company who offers ship design package and solutions to offshore support vessels, heavy offshore vessels and short sea shipping vessels (Ulstein Group 2011 URL). Mr. Du has a bachelor degree from Shanghai Jiaotong University where he majored in naval architecture and ocean engineering, and a master degree from Norwegian University of Technology and Science (NTNU) in system engineering. Mr. Du has worked for the Ulstein group since 2005, and has earlier worked two years for Sino Pacific shipyard in Ningbo.

4. Chen Feng (Interview 29.03.2011, Shanghai)

Mr. Chen is the Chief Engineer Officer and the Manager of Technical Department of Shanghai offshore petroleum bureau (SINOPEC), a Chinese ship owner company. SINOPEC is one of the biggest petroleum SOEs in PRC. Mr. Chen graduated in 1996 from Shanghai Maritime University and has worked for SINOPEC for 16 years. The first seven years Chen was sailing and in charge for operating vessels, owned by SINOPEC.

5. Jiang Wen Hui (Interview 29.03.2011, Shanghai)

Mr. Jiang is the Deputy Fleet Director of Donghai Rescue Bureau, a Chinese Ship owner company. Mr. Jiang is in addition the secretary of the communist party and did previously work for Shanghai Salvage Company. He attended Dalian Maritime University, and got his master degree at Shanghai Maritime University.

6. Huang Shun (Interview 01.04.2011, Shanghai)

Mr. Huang has been selected as an interview object due to his knowledge about decision-making in general, as he works in a Chinese ship owner company. Mr. Huang is in charge of material purchasing for the ship affair department in the Chinese ship owner company; Shanghai Kaichuang Deep Sea Fisheries CO., LTD. SKFC is a SOE, specializing in fishing vessels. The company has been ranked high in PRC on their focus areas. They are aiming to compete in the international fishing industry and striving for a great and rapid development. (SKFC brochure 2010) Mr. Huang graduated from XiaMen Jimei Fishing School in 1986 with a speciality in radio communication. In addition he graduated from Shanghai JiaoTong University, with a major in Business English. He has been working for the SKFC since his graduation.

7. Yin Shusong (Interview (Interview 06.04.2011, Nantong)

Mr. Yin is the manager of the purchasing department at Nantong Mingde Heavy Industry Stock Co., Ltd. The company incorporated in October 2004, and is a fast growing private owned shipyard, that concentrates on shipbuilding and marine engineering and repair (Mingde Heavy Industry 2011 URL). Mr. Yin has only been working in this company.

8. Xu Wei (Interview 07.04.2011, Ningbo)

Mr. Xu is the Project Manager of Zhejiang Shipbuilding co. Ltd., a Chinese shipyard. He started his career in this company and has been working there for a long time. The company has a long history and vitality, relying on SINOPACIFIC Shipbuilding Group's. They claim that they have a forward-looking strategy, are an international marketing player, and have a rigorous and practical management concept to seek the perfection and challenge the excellence (Zhejiang Shipbuilding 2010 URL).

9. Hu Shouyuan (Interview 11.04.2011, Shanghai)

Mr. Hu is the Senior Adviser and Senior Engineer of AVIC International Shanghai Co., Ltd (AVIC), a ship owner company, which are subsidiary wholly owned by AVIC. AVIC Shanghai plays a key role in shipping and forwarding all of the aero products and equipment through Shanghai port. Mr Hu graduated from

Shanghai Jiao Tong University in 1966 with a major in marine power plant. He worked at Jiangnan Shipyard, as director senior engineer in different departments such as; the Marine Developing and Research Department, the Sales Department and the Design Institute.

10. Mao Liling (Interview 11.04.2011, Shanghai)

Mr. Mao is the Senior Engineer Chief representative of Havyard Shipsdesign in Shanghai. The Havyard Group is a fully integrated shipbuilding enterprise and offers ship design, shipbuilding technology, ship equipment and systems and service to sailing ships world-wide (Havyard 2009 URL). He graduated from Shanghai Jiaotong University where he majored in marine power systems. Eleven years after he graduated he worked for a Chinese shipyard. After that, he worked five years for equipment sales. Then he moved to a Norwegian company called Wicksandvik, and for two years ago he joined Havyard.

11. William Wang (Interview, 27.04.2011)

Mr. Wang is the Senior Purchaser of Norgas Fleet Management Co., Ltd., which is a Skaugen company. Skaugen is a Norwegian ship owner, and a marine transportation service company (Skaugen 2011 URL). Mr. Wang graduated from Jiaotong University and majored in navy architecture. He has worked for Skaugen for eight months, and before that he worked as a Project Manager at Hudong shipyard.

12. Jari J. Inermo (E-mail interview, 22.04.2004)

Mr. Inermo works as General Manager of Marine Aluminium Co., Ltd. in Ningbo. *“Marine Aluminium AS is one of the world’s leading companies within engineering, design and fabrication of aluminium structures and products for the offshore and shipbuilding industry”* (Marine Aluminium 2011 URL). He has 28 years of experience in Marine Aluminium, and has gone from welder to general manager. He is educated as welder coordinator and welder inspector. The authors got in contact with him during a school fieldtrip to Ningbo in the end of March. The class visited Marine Aluminum and was guided by Mr. Inermo. The authors found his presentation interesting because of his knowledge and experience about the offshore industry and the Chinese ship owners and shipyards in this segment.

An interview with Mr. Inermo was therefore of great value and relevance to the thesis research aim. The authors were in want of conducting an in-depth interview when they were in Ningbo interviewing Mr. Xu. Due to logistics this was not possible at that time, and an e-mail interview was conducted instead.

3.4.2.4 Primary data limitations

Due to the time consuming collection of primary data, the authors have put a lot of effort in to this process. Throughout the collection of primary data, the authors met challenges when conducting in-depth interviews, because of language complications and cultural differences. Due to the author's lack of speaking Chinese, an interpreter was present at all the interviews where the interviewees did not speak English. This helped the authors, though one should be aware that some of the essence in the questions might vanish when the question is translated from English to Chinese. As the interpreters were provided by SP, the authors chose to believe that they managed to bring out the essence in the questions asked. According to Gripsrud, Olsson and Silkoset (2005), individual in-depth interviews have high costs and one should be aware of the fact that the interviewer can inhibit the respondent, which can influence the answers given. Another factor is the importance of not losing face in PRC. The authors tried to develop questions, which would be suitable for the Chinese customers, and tried to be humble and gentle throughout the interviews. Yet another factor that can be crucial when conducting in-depth interviews are that the interview objects might withhold important information that can be crucial for the research. The authors did experience that some of the interview objects withhold information for the sake of saving face. The authors were only able to conduct one in depth interview with a Western ship owner. In order to secure the validity and reliability when answering research question number one, that explores differences between Western and Chinese ship owners and shipyards, the authors have supported this by secondary data.

4. Theory

The purpose of the theory chapter is to inform the reader about the theories conducted in the thesis. These theories have been used to analyse the data collected, and led to the results of the research. To answer the research questions the authors have used both relevant internal and external analysing tools and strategic theories.

4.1 Internal analysis

According to Barney and Hesterly (2010), an internal analysis helps a firm to identify the strength and weaknesses of its organization. An internal analysis can provide an understanding of which resources and capabilities that are likely and less likely to be sources of competitive advantage, and help identify areas of the organization that requires improvement or/and change (Barney and Hesterly 2010).

The authors have conducted a resource-based view (RBV) in order to implement the VRIO framework to analyse the internal environment of SP. This is in order to identify the various resources SP possesses or lacks, and to find which of these resources can give SP sustained competitive advantage.

4.1.1 Resource-based view

“The RBV is a model of firm performance that focuses on the resources and capabilities by a firm as sources of competitive advantage” (Barney and Hesterly 2010). Resources in RBV are defined as tangible and intangible assets, controlled by an organization, available to use in order to conceive and implement its strategies. Capabilities are subset of an organization’s resources and defined as tangible and intangible assets. These assets enable an organization to take full advantage over the resources it controls. Resources and capabilities include financial, physical, human and organizational resources categories. (Barney and Hesterly 2010)

Tangible resources

Tangible resources are defined as financial and physical. The financial resources include all the money a company uses to implement strategies, collected from all the sources they contain. The physical resources include all the physical technology used in a company, such as equipment, geographic location and its assets to raw materials. (Barney and Hesterly 2010)

Intangible resources

The intangible resources include culture and reputation. These resources are often difficult to determine, because they are relations among groups within a company and in its environment. However they can contribute more value to the company than tangible resources. (Barney and Hesterly 2010)

Human resources

The human resources are attributes of single individuals that contribute to the organization. This includes the training, experience, judgment, intelligence, relationships, and insight of individual managers and workers in the organization. (Barney and Hesterly 2010)

Organizational resources

Organizational resources are defined as attributes of groups of individuals. Culture and reputation of an organization, its formal reporting systems, formal and informal planning, controlling and coordinating systems, informal relations among groups within a firm, and between a firm and those in its environment are all organizational resources. (Barney and Hesterly 2010)

4.1.2 The VRIO framework

After conducting the RBV, the authors implemented the VRIO-framework in order to analyse SP's internal resources and determine SP's competitive advantage.

“VRIO is a mechanism that integrates two existing theoretical frameworks: the positioning perspective and the resource view. It is the primary tool for

accomplishing internal analysis” (Barney and Hesterly 2010). The competitive advantage can be determined by differentiating the performance in the industry as well as the tangible and intangible assets within SP. According to Barney and Hesterly (2010) the VRIO-analysis is a tool to help clarify which resources a company should focus on, to benefit from this in the future. The VRIO-framework asks four questions about resource and capabilities to determine the company’s competitive advantage. These are the following:

Value

The question of value determines if the company’s resources are exploiting or neutralise external threats, and ask the question to what extent does the resources increase or decrease the company’s revenue (Barney and Hesterly 2010).

Rarity

The question of rarity determines if the companies’ resources are rare, and ask the question if there are many companies providing the same product or/and services (Barney and Hesterly 2010).

Imitation

The question of imitation determines how costly it would be for others to imitate the resources. Intangible resources would be the most difficult for others to copy. The value and rarity of the resources are only a competitive advantage if they are costly for others to imitate. First mover advantage and social complexity are resources that are difficult to imitate. (Barney and Hesterly 2010)

Organisation

The question of organisation determines whether the organisation is structured in the best way in relation to structure and control mechanism, in order to get an advantage of the resources the company inhabits. The question asked, is if the environment in the organisation takes full advantage of the resources available. (Barney and Hesterly 2010)

4.1.3 Limitations of the internal analysis

There are two major limitations that need to be considered when conducting the RBV and VRIO, resource heterogeneity and resource immobility. Resource heterogeneity implies that for a given business activity, some firms could be more

skilled than others. Resource immobility implies that some of these resources and capabilities differences among firms may be long lasting, due to the fact that it could be costly for some firms without the resources to acquire them. (Barney and Hesterly 2010)

The authors have been honest and have not fixed the information, which could give the wrong impression of what resources SP possesses. One should also be aware that identification of resources can be difficult.

4.2 External analysis

4.2.1 PESTEL-analysis

In the analysis of SP's possibilities in the market of PRC, the authors have chosen to use the PESTEL analysis. Many different factors in SP's macro environment can be analysed by using the PESTEL framework (Oxford University Press 2007 URL).

Political factors

Political factors refer to government policy such as the degree of intervention in the economy. Political decisions can impact on several vital areas for a business such as the education of the workforce, the health of the nation and the quality of the infrastructure. (Oxford University Press 2007 URL)

Economic factors

Economic factors include interest rates, taxation changes, economic growth, inflation and exchange rates. An economic change can have a major impact on a firm's business, for example can a strong currency make exporting more difficult because it may raise the price in terms of foreign currency. (Oxford University Press 2007 URL) This is also an important factor considering SP is an international company.

Social factors

Changes in social trends can impact a company's availability, the workforce's willingness to work and the demand of a product (Oxford University Press 2007 URL). This concerns SP regarding workforce, and the future demand of their product.

Technological factors

Technological factors are new technologies that create new products and new processes. Technology can reduce costs, reduce the necessity of employers, improve quality and lead to innovation (Oxford University Press 2007 URL). Such developments can be beneficial for SP, the consumer and the organization providing the products.

Environmental factors

Environmental factors include the weather and the climate change. With the major climate changes that have been happening due to global warming and the greater awareness of the environment, there have been a lot of changes to many companies (Oxford University Press 2007 URL). Therefore the authors will find out if these factors will have or do have an impact on the production of SP's products.

Legal factors

Legal factors are related to the legal environment in which firms operate (Oxford University Press 2007 URL). When doing this analysis, the authors need to look at these factors and determine not only how they affect SP but also the companies that are possible buyers

4.2.1.1 Limitations of the PESTEL analysis

It has to be taken into account that the PESTEL analysis could be superficial and subjective. It could be superficial in the way that it can be adjusted to any industry, and subjective because it is the authors who decide which factors and conditions that should be concluded in the analysis (Rudar Ruc 2011 URL).

4.2.2 Porter's five forces

Michael Porter's model, The Five Forces has been used to analyse the attractiveness and likely-profitability of this industry. The authors have used this model as a tool to identify SP's position and attractiveness in the Chinese market, and to identify the competitive arena. The model divides the industry into five different forces.

The Threat of Rivalry

One factor that can determine the competition in an industry is the intensity of the competition, if there are many players in the market. Other attributes that may generate the competition is; slow industry growth and the lack of product differentiation. The levels of rivalry are indicated by actions as frequent introduction of new products, intense advertising campaigns and the price set on the products. When the companies competing in an industry are unable to differentiate their products, the rivalry tends to be high. (Barney and Hesterly 2010)

The Threat of Entry

If companies in an industry is benefitting from superior profits, it may motivate new firms to enter the market. If these firms manage to enter, the rivalry among the players involved will thereby increase. Companies that consider entering new markets should keep in mind that there are barriers to overcome, such as the economical aspect and product differentiation. (Barney and Hesterly 2010)

The Threat of Powerful Suppliers

Suppliers may threaten the players in an industry by increasing the price of the supplies, or if the quality is reduced. If a firm can choose from several suppliers, the power of the suppliers will be decreased. On the other hand, the power will be increased if the supplier is able to provide the companies with an unique or highly differentiated product. (Barney and Hesterly 2010)

The Threat of Powerful Buyers

The buyers in an industry act to reduce a firm's revenue. A small number of buyers can be threatening to a company, as they are depending on these buyers to compete in the industry. If the products are differentiated and unique, the buyers will have less power. The buyers have power if they have the possibility to purchase less expensive products. (Barney and Hesterly 2010)

The Threat of Substitutes

Substitutes are products that meet nearly the same need for the customer, but in another way than the original products. Substitutes may play an important role in decreasing the potential profit in industries. (Barney and Hesterly 2010)

4.2.2.1 Limitations of Porter's five forces

A drawback of Porter's five forces is the lacking inclusion of complementors. *"If your customers value your product more when they have this other firm's product than when they have your product alone."* (Barney and Hesterly 2010, 48) It is argued that a firm would want to discourage the entry of competitors and encourage the entry of complementors (Barney and Hesterly 2010).

4.3 SWOT

The SWOT analysis have been used by the authors as a tool to analyse SP's strategic situation by grouping positive and negative internal and external factors. By categorizing these factors the authors will present a clearly understanding of SP's competitive position and can better identify alternative strategies for SP to implement towards Chinese ship owners and shipyards. The authors have identified SP's strengths, weaknesses, opportunities and threats, through the analysis of SP's external and internal environment.

A SWOT analysis *"is the overall evaluation of a business's strengths, weaknesses, opportunities and threats"* (Kotler, Keller and Lu 2009).

According to Kotabe and Helsen (2004) the aim of any SWOT analysis is to isolate the key issues that will be important to the firm's future and subsequent

marketing strategy. A SWOT analysis divides the information into internal factors and external factors, and further into positive aspects, which are strengths and opportunities, and negative aspects, which are weaknesses and threats. The internal factors, strengths and weaknesses, include all of the marketing mix as well as personnel and finance. The external factors, opportunities and threats, include technological changes, legislation, sociocultural changes, and changes in the market place or competitive position. (Kotabe and Helsen 2004) The authors have chosen to double weight the SWOT analysis by putting the SWOT components into three matrixes. These three matrixes are the competitive matrix, the opportunity matrix and the threat matrix. The competitive matrix is grading the strengths and weaknesses by how strong and meaningful they are in the market. The opportunity matrix is grading the opportunities by how attractive they are and how likely they are to occur. Finally, the threat matrix grades the threats by seriousness, and how likely they are to occur. (Framnes et al. 2006) The determination of a market strategy is what these three matrixes are providing a foundation for, by presenting the main opportunities and main problems in the market. By putting these matrixes together the authors will indicate the strategic problem definition (SPD), which provides a basis for developing a strategy SP can use. The SPD points out how to exploit the strength and opportunities, and how to reduce weaknesses and prevent threats. By determining the critical success factors (CSF), a company can more clearly see the main strategies that must be implemented in order to carry out the goals. (Framnes et al. 2006)

4.3.1 Limitations of SWOT

The internal factors that may be viewed as strengths or weaknesses depend on their impact on the specific company. This means that they may represent strength for one firm, and weakness for another. Same with the external factors, an opportunity for one firm can be a threat for another. Another drawback of SWOT is that it tends to persuade companies to a specific list rather than think about what is really important to the business. The list is in addition presented uncritically and lacks prioritization. This can in example lead to that weak opportunities may appear to balance strong threats. (Kotabe and Helsen 2004) As the authors have

chosen to double weight the SWOT analysis into the three matrixes aforementioned, the possibility of this limitation will be reduced.

4.4 Organizational buying behaviour and decision making

The purpose of this section is to inform the reader on theories about organizational buying. Organizational buying is defined as “*the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate and choose among alternative brands and suppliers*” (Kotler, Keller and Lu 2009). The authors will introduce the different buying situations, the buying centre and the buying process. These theories will be conducted as theory in this chapter, and in practice for SP in the analysing and strategy chapter. The authors see these theories as highly relevant for SP to have knowledge on, and to be significant help for the authors in order to analyse the complexity of the decision-making process for Chinese ship owners and shipyards in accordance to purchasing.

4.4.1 Buying situations

When purchasing in the B2B market, the buyers go through many decisions. The buying situation is what determines the number of decisions, the complexity of the problem being solved, newness of the requirement, number of people involved, and the time required. (Kotler, Keller and Lu 2009) This can be distinguished on three types of buying situations, which are the following:

Straight re-buy

Strategy re-buy happens when the purchasing department re-orders on a routine basis, and there is an “approved list” with suppliers that the buyer chooses from (Kotler, Keller and Lu 2009). According to an interview with Jack Zhu (2011), the “approved list” is what they call “The makers list” in the shipping industry.

Modified rebuy

Modify re-buy happens if the buyer is in want of modifying product specifications, prices, delivery requirements, or other terms. Additional decision

participants on both sides are usually involved if there is a modify re-buy. (Kotler, Keller and Lu 2009)

New task

When it is the first time a purchaser buys a product or service it is called new task.

“The greater the cost or risk, the larger the number of decision participants and the greater their information gathering and, therefore, the longer the time to decision completion” (Kotler, Keller and Lu 2009).

According to Kotler, Keller and Lu (2009), fewest decisions are made in straight re-buy situations, and most decisions are made in the new task situations. The business marketer’s greatest opportunity and challenges are in the new task situations and in addition, *“different participant influence each decision and the order in which they make these decisions can vary”* (Kotler, Keller and Lu 2009). Kotler, Keller and Lu (2009) suggest that marketer’s should try to reach as many key buying influencers as possible, and provide them with helpful information and assistance during a new task situation.

4.4.2 The buying-centre

The authors have chosen to give an introduction to the buying centre of an organization to help identify the people in the process of purchasing a product and/or service. This will give an overview of the people in the buying process, and how they impact the decision making process.

According to Biong and Nes (2005), organizations buying processes usually includes several members of the organization. These members constitute the organization’s buying centre. The final purchase is commonly made after several members of the organization have influenced the outcome. The group attendance in the buying process will vary with some key components: Risk, new purchase, time-pressure, the size of the organization and decentralization. The buying centre is an informal, often interdisciplinary, group of people from different departments in the organization, with the primary function to obtain and process purchase-

related information. The participants of a buying centre for a particular product may vary from purchase to purchase. The participants can be categorized as followed:

Decision-makers

Decision-makers are they or the one, who is making the final decision. This can be a company's board for important decisions, general manager, the company's leader group or others, depending on the character and importance of the purchase. (Biong and Nes 2005)

Influencers

Influencers are any person that has a positive or negative impact on the purchase decision. This can be people in the organization like technical experts, or people outside the organization like acquaintance with good faith, external consultants or authorities through laws and regulations. (Biong and Nes 2005)

Initiators

Initiators are the people that first become aware of, or predict a problem that can be solved by buying a product or service (Biong and Nes 2005).

Gatekeepers

Gatekeepers are the people that influence the buying-process by controlling information and/or the access to other influencers or decision-makers. This can be a project manager who collects and distribute information to the decision-makers that he or she sees as relevant, or a secretary who can give and stop access of information to the decision-makers. (Biong and Nes 2005)

Users

Users are employees and product managers who are consuming a product, in example using a new machine, or a new computer solution (Biong and Nes 2005).

Purchasers

Purchasers are the people that do the paperwork and place the order (Biong and Nes 2005).

To identify the participants in the buying-process, and understand the part each has, is crucial when doing marketing in the B2B-market (Biong and Nes 2005). When conducting the theory of the buying centre it is with purpose to have in mind that several individuals can occupy a given role, and the individuals may occupy multiple roles. For instance, the purchasing manager can simultaneously be the buyer, influencer and gatekeeper. (Kotler, Keller and Lu 2009)

4.4.3 The Buying process

The authors are applying the theory of the buying process, which can help reach the research aim of the thesis; analyse the decision-making for Chinese ship owners and shipyards when choosing and purchasing suppliers. The buying process provides significant theory that gains the authors with better understanding of the process organizations goes through when making a buying decision.

When the customer makes a purchasing evaluation, which results in a purchase, the organization will go through some common steps, that seems to follow each other in a certain order. Such purchases are reasonable to consider as a process. (Biong and Nes 2005)

According to Biong and Nes (2005), the buying process consists of eight stages.

Problem identification

When a problem is identified the process will start. Such a problem can be everything from a message from the inventory track system saying that the warehouse has reached an admitted reorder point, a machine that breaks down, a decision to increase production activity or a need for components to a new product. (Biong and Nes 2005)

According to Biong and Nes (2005), the supplier initiatives on this stage should be to give the customer general information about news, price changes, new products, new technology and other information that can affect the customers in

the evaluation of its situation in the supplier's interest area. They should also do a need analysis aimed at detecting any not-identified problems, and evaluate which of the customers who has a problem.

Solution development

The next stage in the buying process is that the company tries to find a solution on the problem. In many cases this is a simple solution, in example to place a new order with an existing supplier. In other situations, new technological solutions have to be developed on complicated problems. (Biong and Nes 2005) According to Biong and Nes (2005), supplier initiatives on this stage can be to study the buying centre and be present for the customer. The need analysis can make a basis for inputs on solutions from the seller. In cases where a great relationship is present, the solution is often made by close cooperation between the buyer and the seller.

Product specification

The specifications for the products to be purchased are determined on this stage. This includes number of units and delivery plan. Supplier initiatives on this stage are to be present for the customer. The seller can to a greater or lesser extent affect the customer's product specification. This specification can be crucial for the seller's competitive strength. (Biong and Nes 2005)

Search for, and qualification of potential suppliers

At this stage, the buyer tries to identify the most appropriate supplier, through trade directories, contacts with other companies, trade advertisements, trade shows and Internet (Kotler, Keller and Lu, 2009). Search after a potential supplier could happen with a public tender invitation. The companies will in this case invite a limited number of suppliers to bid so they achieve competition between the suppliers. At this stage, it is important for the suppliers to be a part of the customer's evoked set. (Biong and Nes 2005)

Collection of offers

In some cases a company as a precursor to obtain deals, first go through a prior search for alternative suppliers. Price negotiations and negotiations about other elements in the contract are also carried out at this stage. This can be warranty provisions, training, installation, payment and more. The seller will at this stage

receive request to submit offer, and answer request to submit offer with the buying centre's participants' different motives in mind. (Biong and Nes 2005)

Evaluation and selection of offers

This is the customers' decision-making stage. The product offer and the supplier behind the product offer are evaluated, and a choice is being made. Any final negotiations about subjects that have not been cleared in earlier negotiations will be carried out at this stage. A very important supplier initiative here is to continually have contact with the customer. (Biong and Nes 2005)

Ordering and receiving of goods

At this stage the customer is placing the order and receiving the goods. Receiving of the goods include receiving of elements in the contract, in example installation. The supplier's job here is to receive and effectuate the order, and provide any installation and training. (Biong and Nes 2005)

Evaluation

This is the last stage of the buying process and where the company evaluates to what extent the purchase solved the problem and how the purchase has performed according to the criteria listed before the purchase. This can be factors regarding the specific product, and it can be factors regarding the supplier's organization. The experiences with the solutions will be used as information in new buying processes. (Biong and Nes 2005)

According to Biong and Nes (2005), the suppliers' initiatives at this stage should be to have an on going dialogue with the customer with the aim for a positive development of a long-term relationship.

4.4.2.1 Limitations of the buying process

There are a few drawbacks with the theory of the buying process that the authors have to consider. First of all, the model is based on the Western B2B market, and because of the different business cultures, the model might not consolidate with the actual buying process within Chinese companies. The main difference is the relationship between a buyer and a seller on the B2B market. It is best known as a

running, long-term and close cooperation between the two parties. In such relationships the procedure the customer goes through internally when purchasing, will be different than if the customer used many suppliers. This way to illustrate the buying process is based on a transaction principle. This means that every purchase can be evaluated as a separate action or transaction with a beginning and an ending. In an on-going relationship, which is most common in PRC, it can often be inappropriate with such a perspective. The focus for the supplier should instead be on the on-going collaboration with the customer. In practice, a combination of insight from both transaction and relationship perspective should be considered. (Biong and Nes 2005) The authors have taken into account that this is a Western model, and that it may not fit correctly with how Chinese do business. Though, it is in the authors' and SP's interest to see how this process is different.

4.5 Country of origin effect

The authors have chosen to research the Country of Origin effect, in order to find out if SP can exploit the fact that they are a Norwegian and Western company operating in PRC.

A company's position in the market can be of significance when choosing both channel and message. It is known that some prestigious and great companies have benefits from the Country of Origin (COO). The greater the effect of sending a message is, the greater power will the marketer get to make an impact, which means the marketer have a greater opportunity to play on recognition and feelings in the message, rather than rich information. (Solberg 2009)

It is widely known that the profile of the COO can influence the customer's evaluation of products. This aspect has most influence on the opinion of the quality of a product. If a nation is widely known for a special skill in certain areas, it will probably improve the perceived quality of the relevant products from this nation. The COO effect could work as a symbolic index of information on a variety of qualities of a product. (Solberg 2009)

According to a survey consisting of 534 engineers from Germany, Netherland and Norway, Norway is characterized by the following:

Quality

Norwegian industrial products have generally good quality (Solberg 2009).

Technology and innovation

Norwegian technology and innovation ability is considered more poorly than Germany and Netherland (Solberg 2009).

Price

Norwegian prices are considered as high and least affordable of the three countries (Solberg 2009).

Environment

The survey confirms that Norway has a particularly good profile in environmental conditions. This applies to environmental factors such as strong political position on environmental issues, clean natural environment and businesses with clean production techniques in industry. (Solberg 2009)

Relationship

Norway is considered in line with Netherland, but below Germany. The evaluation of Norway is good (Solberg 2009).

Part III: Data Findings

5. Data Findings

In this chapter the authors will present the secondary and primary data collected, and use this to answer the research questions. This information is basis for the information applied in the analysis and strategy chapter.

5.1 Chinese business values and norms

In this section the authors will present general information about the Chinese business values and norms, and information on how to do business in PRC. There is already a good deal of former analysis available with information about Chinese business values and norms. These are of great value to the authors in order to understand Chinese ship owners and shipyards' way of thinking when doing business and making decisions. Values are defined as "*abstract ideas about what a group believes to be good, right and desirable*" (Hill 2009, 90), while norms are defined as "*the social rules and guidelines that prescribe appropriate behaviour in particular situations.*" (Hill 2009, 90) These values and norms affect how business is done and partners are made, and are therefore crucial to understand for SP and all other Western companies who operate in PRC. The authors will introduce the concept of guanxi and face, and the most crucial of Geert Hofstede's cultural dimensions in accordance to decision-making. First of all, information about Confucianism will be presented in order to gain a deeper understanding of the complexity of the Chinese business culture and its roots.

5.1.1 Confucianism

For more than 2000 years, Confucianism was the official ethical system in China, until the Communist revolution in 1949. Confucianism was founded by K'ung-Fu-tzu, more known as Confucius, in the fifth century BC. "*Confucianism teaches the importance of attaining personal salvation through right action*" (Hill 2009).

Confucianism is not a religion but an ideology that become deeply embedded over centuries in the culture of China, and other Asian countries, and has an impact on millions of other people through that. Central to Confucianism are moral and ethical conduct and loyalty to other, and it is built around a comprehensive ethical code that sets down guidelines for relationships with others. Even though the observance of Confucianism has weakened in the PRC since 1949, more than 200 million people still follow his teachings. (Hill 2009)

5.1.1.1 Influences of Confucianism

The influence of Confucian ethics on the culture of PRC can be found in most of the business cultures characteristics. The Confucian ethic is central to the Chinese concept of guanxi, which will be introduced in the next section. The concept of face has derived from Confucianism for social harmony through maintaining appropriate interpersonal relations and networks. How PRC rates on Geert Hofstede's cultural dimension also has its roots from Confucianism. (Dong and Lee 2007 URL)

5.1.2 Guanxi

In a relationship-oriented culture, people get things done through relationships. It is whom you know that counts. The Chinese call these networks of relationships guanxi (Gesteland 2005). It is also understood as the network of relationship among various parties that corporate together and supports each other. The mentality of Chinese Businessmen is much of a "*you scratch my back, I'll scratch yours*" (Dong and Lee 2007 URL).

To succeed with business in PRC, develop the right guanxi is a crucial concept for SP to keep in mind. If guanxi is established with relevant authorities an organization can minimize risk, frustration and disappointment, and in addition gain competitive advantage. Since guanxi can function as an information network, an organization with wide guanxi often has higher performances than companies with little or no guanxi with the Chinese. (Dong and Lee 2007 URL)

Trust is one of the key values in the Chinese business culture, and a factor that is essential to the establishment of *guanxi*. Trust is in addition crucial because an often neglected phenomenon in PRC is dishonesty. Chronic suspicion prevails in PRC, and the Chinese *“appear to be quite suspicious and cold towards strangers with whom relationships have not been established”* (China Window 2011 URL). Since most Chinese do not trust outsiders, their social network mainly consist of family members, relatives, friends, colleagues and classmates. This is the mediate sphere where trust can be established, reciprocated and developed. Trust is a crucial aspect that needs to be established, for a serious business relationship to be fully beneficial. In order to protect one's interest, trust can ensure that opportunistic behaviours are kept to a minimum. (China Window 2011 URL)

5.1.3 Face

Face is a crucial concept because of its persuasive influence in interpersonal relations among Chinese. In PRC a person's reputation and social standing rest on saving face. (China Window 2011 URL) Scholars have offered various definition of face, but the definition that best shows the complexity of the Chinese concept of face is *“the respectability and/or deference that a person can claim for himself from others, by virtue of the relative position he occupies in the social network and the degree to which he is judged to have functioned adequately in the position as well as acceptably in his social conduct”* (Dong and Lee 2007 URL).

5.1.4 Geert Hofstede's cultural dimensions

The authors will give an introduction to three of Hofstede's five cultural dimensions, which they believe are most significant in accordance to how Chinese makes their decisions. These three dimensions are Power Distance, long-term orientation and uncertainty avoidance.

5.1.4.1 Power Distance

PRC ranks high on the power distance index (PDI), which is the extent to which the less powerful members of an organization accept and expect that power is

distributed unequally. High PDI means high level of inequality of power and wealth within the society. (Geert Hofstede 2006 URL) The authors find the PDI dimension relevant for the decision making process because the practice of a top-down management style could imply that less people are in charge of making decisions. This supports the hierarchical organization system found in most Chinese companies, especially SOEs. (Gesteland 2005)

5.1.4.2 Long-term Orientation

PRC's highest-ranking factor is long-term orientation (LTO). Thrift and perseverance are values associated with LTO, and it indicates a society's time perspective. The rated values in this dimension are found in the teachings of Confucius, introduced in the beginning of this chapter. (Geert Hofstede 2006 URL) In accordance to the decision-making process, the authors find the LTO dimension relevant because the Chinese's decision are more based upon whom they have great relationship with, than in most Western countries (Gesteland 2005).

5.1.4.2 Uncertainty avoidance

The uncertainty avoidance index (UAI) deals with a society's tolerance for uncertainty and ambiguity. UAI indicates to what extent members of a society feel uncomfortable or comfortable in situations that are different from usual. In Hofstede's studies PRC ranks high on this dimension. A country like PRC with high UAI tries to minimize the possibility of such situations by strict laws and regulations, safety and security measures, and they believe in absolute truth. (Geert Hofstede 2006 URL) The decision making process consists of stages where the decision makers have a lot of choices to decide upon. From the UAI dimension it seems that Chinese decision makers tend to need more time, and need to feel safe and secure before they make a decision. This knowledge is of high importance for a better understanding of their customer's way of thinking when they are choosing a supplier.

5.2 Findings on the research questions

In this section the authors will present the primary data collected through in-depth interviews, supported by secondary data. The in-depth interviews are outlined in order to answer the thesis research questions. To analyse Chinese ship owners and shipyards' way to make decisions, the authors will present findings classified into each research questions, outlined in order to answer the thesis aim. This will provide the reader with an overview of the data that is collected and used in the strategic analysis. The structure of each research question has to some extent been outlined differently, to best suit the aim of each research question.

5.2.1 Decision-making process in PRC compare to the West

How does the decision-making process for Chinese ship owners and shipyards differ from the West, and how does the complex Chinese business culture affect the decision-making process?

One of the main and most important aspects when entering or selling in another country is to understand the business culture of the country in question. If the business culture is different it is most commonly necessary to implement a new strategy. It is in SP's interest to figure out how Chinese are making decisions, therefore we find this research question of great importance to see the differences between the business cultures and how to solve and adjust SP's strategy to be as effective as possible. It needs to be highlighted that this question concerns the offshore segment of the marine and not all Chinese businesses in general.

5.2.1.1 The different business cultures

Western business culture is well organized, task-oriented and informal compared to the Chinese. There is a strict timeline, and efficient and effective work is deeply valued (Gesteland 2005). When purchasing or selling there is a well-trained routine to be followed to avoid spending unnecessary time and money. This

implicates that the planning - and purchasing process for Western companies are much faster than for Chinese companies. Western ship owners contact the ship designers a few months before the building process; whereas Chinese ship owners contact the ship designers often between one to two years in advance (Du Interview 2011). This is linked with the fact that Western are deal-focused and monochronic while Chinese are relationship-focused and polychronic (Gesteland 2005). An outcome of these differences, is that it is harder to do business with companies you do not have a relationship with in PRC. Relationships are important in all industries, but this is about the degree of relationship needed. For instance, in Norway it is illegal to “butter up” other companies for your own company’s interest, whereas in PRC this can be crucial to be able to cooperate with other firms (Inermo Interview 2011). This point and the importance of it will be explained further in the next section.

When it comes to the decision-making process, the authors found that the Westerns and the Chinese way of doing things are not all that different. Although the Chinese companies use far more time, and a foundation in the form of personal relationship is often expected, they make decisions on basically the same criteria. Since this is a segment where the products are highly expensive, the companies whether Western or Chinese, are very price-sensitive. (Interviews 2011) The majority of the interviewees ranked price as an attribute of importance after quality and service.

Mr. Jiang (Interview 2011) stated that public bidding is common for SOEs in PRC, as in the West. However, in Norway the least expensive offer has to be chosen, and there are certain rules that have to be followed in order to obtain a fair competition (Regjeringen 2011 URL). In PRC on the other hand, price is not the only condition that has to be present. According to Law info China (2011 URL) the winning candidate must either to the maximum extent be able to fulfil the evaluation criteria specified, or be able to satisfy the substantial requirements while providing the lowest bid. Mr. Zhu (Interview 2011) additionally stated that a supplier could be chosen because of criteria such as relationship or technical solutions. If the relationship is what determines the bidding, it is commonly told

that it was the technical solution or special know-how that determined the motive of the decision (Zhu Interview 2011).

The first time meeting with a potential supplier or customer is extremely important for both Western and Chinese companies. As Mr. Inermo explained (Interview 2011), is the first meeting essential to reveal whether or not the customer is a serious player in the market and for the customer to see if the supplier can provide the wanted quality, delivery time and price. The main difference between the Western and Chinese view of the first meeting, is that the Chinese see this as the first step of establishing a relationship, instead of just a way to get the general idea of the relevant company before making any decisions according purchase (Wang Interview 2011). Mr. Chen explained (Interview 2011) that in Europe, there are a lot of regulations that need to be followed and Western ship owners keep these in mind when making the decisions. In PRC on the other hand, the system is not fully complete, which allude to relationship being the most important aspect. It is necessary to point out that not all Chinese businesses follow this similar pattern. As Mr. Yin stated (Interview 2011), were their relationships only business related and not personal, though he would not change his suppliers as he was satisfied with the ones he already uses. Even though this aspect of the Chinese business culture is well known, it can be purposeful to remember that some Chinese would not acknowledge it because it can be related to corruption.

When it comes to changing suppliers, there are a lot of risks involved as well as time and money. First of all can the new corporation turn out badly, the new supplier might not give the service that was expected and the delivery time might be longer. Changing supplier is very time demanding. Every worker in the shipyard and in the ship owner's company has to learn the new technology of the product, which can be extensive. (Xu Interview 2011) Because of this both Western and Chinese ship owners and shipyards would rather use the same suppliers, though Western are more willing to change than Chinese. This is linked with the fact that Western use less time in building a business relationship and that they are more risk-taking (Geert Hofstede 2006 URL). The authors will underline that this is generally speaking, as one of the interviewees, Mr Huang (Interview

2011), conveyed that they were willing to change suppliers if there was a better offer considering price, service and delivery time.

The authors will briefly point out that external factors such as the environment and regulations and certifications, are considered differently in PRC than in Western countries. The concern of keeping an environmentally friendly production, whatever product, is deeper in Western countries than in PRC. As Mr. Wang said (Interview 2011), were suppliers that showed CSR in the way of having an environmentally friendly production site, much more attractive than other. The interviewees from Chinese companies showed on the other hand no concern about the environment, and stated that this issue would not affect their decision about suppliers (Huang Interview 2011). From the interviews the authors have found that Chinese shipyards and ship owners generally show less interest in which certification the products needed get. Western shipyards and ship owners put more emphasis on the certification though, and the certification companies used by the different suppliers can influence the final decision of which supplier to choose. This can also be related to the concern of the environment, since some certification companies are more accountable for CSR, which can make them more attractive than those who are not. (Wang Interview 2011)

5.2.1.2 The Chinese business culture's affect

The offshore market SP is very difficult to compete in. As Mr. Chen stated (Interview 2011), all Western suppliers look the same, as the products are characterized by the same quality. The Chinese business culture affects the decision-making process, as he will choose the supplier they have established the greatest relationship with. Mr. Jiang (Interview 2011) also confirmed this, and mentioned that if you establish a good relationship you would get faster response and be more efficient, which is important when operating with complex vessels. The meaning of guanxi is one of the greatest influences when doing business in PRC, because it results in a market that is harder to enter since many companies would rather stick to their old acquaintances. The fact that the Chinese business culture is known to be a culture that avoids taking risks is also a factor that

influences the willingness to change suppliers. If a change were on the table, there would be a lot of research needed. The reputation of the company, the brand name and the function of the products are important when considering a new supplier (Jiang Interview 2011). It is therefore easier and more convenient to stick with the old and familiar suppliers where relationships are well grown.

5.2.2 The buying centre

Who does the buying centre consist of and who has the most power and influence when making a purchase decision?

The purpose of this research question is to provide SP with knowledge on whom are taking part of the decision-making process in accordance to purchasing and how the power is distributed. In order to analyse the decision-making process, an analysis of the buying centre is significant to identify the people involved. Who influence the decision, and who makes the decision, is significant in order to target the right people at the right time when promoting SP.

5.2.2.1 Members of the buying centre

According to Mr. Hu (Interview 2011), the decision-making process is very complex, as there is many involved in the purchasing process. You have “The makers list”, the designer, the ship owner, the shipyards, the purchase department, the technical department, the board of management and so on. There are many people involved and they can all influence the decision-making process more or less. Mr. Hu and Mr. Jiang (Interviews 2011) stated that the purchasing process and the people involved vary a lot, depending on what kind of vessels are to be purchased, and if it is a new project or an already existing one. In example, since quality is of higher importance in the offshore segment, this leads to a more complex decision making process. Mr. Chen and Mr. Yin (Interviews 2011) on the other hand, said that it is the same process. They argued that it was normally the same process and no modification, but from theory, second hand information and other interview objects, the authors have learned that the process is varying a lot in accordance to the buying situation. Whether what Mr. Chen and Mr. Yin (Interviews 2011) stated is the fact for their company will not be discussed, but

the authors will consider this with caution, as previously stated under limitations for in depth interview.

Most of the interview objects stated that the buying centre consists of a team of 4 to 6 people, who work in the technical or purchasing department, and if an important decision, the board of management. If a supplier is trying to contact a company, they will, according to Mr. Yin (Interview 2011), first meet the purchase department, and according to Mr. Chen and Mr. Jiang (Interviews 2011), first meet the technical department. Mr. Huang (Interview 2011) conveyed that a potential supplier will be set up with the material purchasing department, but if it is a new product they will be set up with the board of management. He also mentioned that since SP's products are expensive because of the high quality, it would be a task for the board of management. After the decision has been made, it is the shipyard that orders the final product (Yin Interview 2011).

5.2.2.2 Influence

The authors have learned from theory that the people who influence the decision-making process are all the people that somehow influence the purchase, either negative or positive (Kotler, Keller and Lu 2009). According to most of the interview objects, this theory is supported. According to Mr. Chen (Interview 2011), purchase information will be collected from different departments in the company and where research have been done. Mr. Xu (Interview 2011) states that everything is connected and affects one and other. This means that a lot of people have the opportunity to influence the purchase.

Mr. Zhu and Mr. Zhou (Interviews 2011) stress the fact that the ship designer are of great influence to the ship owners and shipyards, when it comes to selecting suppliers for "The makers list". According to Mr. Du (Interview 2011) there are many details in the decision-making process where the ship designers are contributing. The ship designers are writing specifications and preferences to the ship owners about suppliers. To be on the list recommended by the ship designer is a huge advantage, because of the significant influence the designers possess. If SP has a special type of product the designers see highly appropriate for the

project, they will recommend them. Mr. Mao (Interview 2011) conveyed that the designers have some influence in the decision-making process because they understand the suppliers' products earlier and better. They know the most advanced part, and can therefore inform the ship owners about new technology and advantages of different suppliers.

According to Mr. Jiang (Interview 2011), relationship is of highest influence when it comes to decision making of new suppliers. Mr. Zhou (Interview 2011) stated that in order to build good associations, SP should have contact with a key person within a ship owner or a shipyard company. With a key person the authors mean a person that can influence the board of management in the ship owners or shipyards company. SP could then get information on the other suppliers and deliver a better proposal. This happens frequently in Chinese business world. If you have a key person in the companies you are selling your products to, you can convince and influence their decisions. This is the most efficient way to make the makers list in PRC, as well as closing a contract. It is important to keep in mind that most Chinese sales managers use their own personal contacts when they are doing business. This means that people's experiences are extremely important. Their former experience has created relationship and this improves the allegiance with a lot of people in the business world, which can create new sales. The relationship gives advantages because the two parties (the sales representative and the customer) trust each other, and this trust can in addition create more valuable influence.

When the authors asked the question who the interviewees thought was the most important to influence in the buying centre, there were a clear answer that this is the ship owner.

5.2.2.3 Final decision makers

According to most of the interviewees, nearly all stated that it is the ship owners that are the final decision maker. As Mr. Yin (Interview 2011) expressed, it is the ship owners who pays and therefore has the final say. Mr. Du and Mr. Mao (Interviews 2011) clearly stated that they do not have any say in the final purchase

decision. Again, it is the ship owner that takes the final decision, and the ship designers can only influence during the process.

The authors discovered differences in who takes the final decisions in accordance to different buying situations. According to Mr. Jiang (Interview 2011), when it comes to purchasing operating vessels, the team makes the decision by themselves. New building on the other hand, can be decided by bidding where they invite some suppliers on “The makers list” through public bidding. It is here crucial to mention that Donghai Rescue Bureau where Mr. Jiang (Interview 2011) works is a SOE. Differences between SOEs and POEs were discovered when it comes to who takes the final decision. Mr. Huang (Interview 2011) conveyed that for SOEs the decision would be made by several people. When purchase decisions are to be made, relevant people will be contacted to accept and approve the decision. They will again send the paperwork to their superior, who again will send the paperwork further up the hierarchy. This prevents influence on the later stages of the decision-making process and complications regarding change of minds. This was confirmed by Mr. Chen (Interview 2011), who works for SINOPEC, by stating that the final decision was made by the team. In POEs on the other hand, one person can make the decision.

5.2.3 Regulations

Are there any regulations that is crucial for the decision making process?

The purpose of this research question was to figure out if there are any regulations that are crucial for SP in order to be chosen as supplier. During the process of making decisions, the authors have learned that there is a wide range of aspects that can influence the decision. Some factors are controllable, some factors not. The regulation factor is one SP can control since they can adjust to it, and is therefore crucial to identify in order to meet the preferable and needed requirements.

According to most of the interview objects there have been a throughout answer that the need for regulation does not influence the decision-making process.

One regulation researched is the certification of materials and components. According to Mr. Huang (Interview 2011), all companies have their regulation and policies, and all suppliers must certificate their products, otherwise they will not sell. The certification of materials and components are inevitable if one is to operate in this market. According to Mr. Chen (Interview 2011) if a company is to enter this market, the products have to follow all the regulations. It is therefore not necessary for them as a customer to check if they are qualified in accordance to regulations. When the authors have asked if they have any preferences when it comes to the certification company most of them said no. Mr. Chen (Interview 2011) said that they do not prefer any specific, but mentioned that they have used DNV a lot, and CCS and DNV were both used on the last order. This is again supported by Mr. Yin (Interview 2011) who expressed that all potential suppliers should be right with the requirement and needs of certifications to begin with, when operating in this market. If one supplier is not right within the class laws, one would not be considered at all and would not be a part of a customer's evoked set. In conclusion the certification of the suppliers' materials will not affect the decision making process, due to the fact that suppliers with lack of certification are not present in the high-end offshore market, which the authors are researching.

The authors chose to do research on this question to figure out inevitable regulations that could affect the decision-making process. The interest in discovering other political-, economic-, social-, or technological factors that could be of importance to the final decision was overruling in the decision to research this research question. The only factors that were found of importance were the economic- and technological factor. According to Mr. Huang (Interview 2011), these factors were important due to the preferred price and the newest technology, and had nothing to do with regulations. He also stated that political and social factors were not of concern.

In conclusion the authors found this research question of no importance to how Chinese ship owners and shipyards make their decisions. However, the knowledge

of the fact would not be discovered if the question had not been researched. Due to this, not any regulations that are crucial for SP in order to be chosen, since they have good quality and certificated products that are needed to operate in the high-end offshore market.

5.2.4 Differences between ship owners and shipyards

Are there any differences in the decision- making process between the Chinese ship owners and the shipyards in the offshore segment?

The purpose of this research question is to discover differences in the decision-making process between ship owners and shipyards, in order to be able to provide SP with the right strategy, approaching the right people. The authors find it crucial to uncover these differences in order to provide SP with a proper and full analysis. The authors are presenting the key points that characterise ship owners and shipyards, and distinguish between similarities and differences.

The ship owners and shipyards stands for the major responsibility when decisions are made. According to Mr Zhou (Interview 2011), it is crucial to emphasise that the ship owner always has the last saying. This could differ when the demand of building ships are bigger than the capacity. This is not the case in today's market, so the authors will not focus further on this issue.

5.2.4.1 Similarities between Ship owners and Shipyards

The primary data collected shows similarities in how ship owners and shipyards are collecting information concerning suppliers. This makes it easier for SP to reach both targets, while implementing the same approaches. When asked to rank the most important attribute, all the interview objects, chose quality as most important, closely followed by service and price. This relieves that both targets has the same set of values when they are looking for suppliers. Ship owners as well as shipyards value relationship to a high extend, and they in addition claim that they have knowledge about the different suppliers in Shanghai. Brand name, company reputation, sales representatives, established experience and good

references are factors that are highly evaluated by both the ship owner and shipyard. Ship owners and shipyard are both seeking suppliers internally (suppliers that have already been used) at first; if the existing suppliers cannot deliver a preferred product, they will seek externally. (Xu Interview 2011) They both prefer exhibitions for the external search as well as product catalogues that suppliers have introduced beforehand. The ship owners and shipyards interviewed, have already established strong relationships with propulsion suppliers. When asked about first suppliers that comes to mind, they all mentioned the same; Wartsila, Berg, Rolce Royce, Schottel and MAN, this state SP's competitors. Good and structured service network is a crucial attribute that ship owners and shipyards sees as critical (Huang Interview 2011).

5.2.4.2 Differences between Ship owners and ship yards

Tailor made solutions in the high-end market is vital. (Zhu Interview 2011) To make this possible, it is important to understand the differences between the preferences of the ship owners and shipyards. The authors viewed this critically in order to recommend different approaches SP could perform. The ship owners are the shipyards customers, although there are altered contracts in the industry. The Shipyards usually have a "makers list" they present to the ship owners, including three to four different suppliers. "The makers list" usually consists of suppliers they already have relationship and experience with. If the ship owners do not have other preferences, these participants are usually what constitute "The makers list". If the ship owners have other preferences these suppliers get included on the makers list as well. If the ship owners already know whom they would like to use, the decision will be made, and the shipyards "makers list" will not be availed (Xu Interview 2011). The shipyards have the main responsibility over the building process and delivery date, and are for that reason more concerned about the delivery agreements suppliers can provide. The ship owners and shipyards sign a contract, which states when the ship is to be due. It would therefore be costly for the shipyard if the process prolong, as it would cost the shipyard extra money to keep the work force if they are waiting on supplies (Zhou Interview 2011). Most of the ship owners interviewed, usually first make contact with designers. They

start their seeking process when the specification and arrangement plan is due (Jiang Interview 2011). Mr. Zhou (Interview 2011) expressed the importance to stress that the ship owners have all the power during the decision-making process, and that makes all the difference.

5.2.5 Expectations and preferences

What are the Chinese ship owners and shipyards preferences and expectation to a potential supplier, and what product and service attributes are of highest and lowest importance?

The purpose of this research question is to provide SP with information on what the Chinese ship owners and shipyards expect and prefer from the suppliers. The interviewees were asked to rank different attributes of high and low importance when choosing a supplier. Since it is in SP's interest to analyse the decision-making process, and find out where they best can meet them in this process, it is crucial to know what they need to deliver in order to be chosen. Some of the attributes discovered could in addition imply why the decisions are made, and why the suppliers are chosen.

5.2.5.1 Expectations of suppliers and products

Several expectations to the suppliers and the products have been listed during the in-depth interviews for the purpose of uncovering what a supplier must deliver in order to be competitive in the market. The highest ranked attributes that was expected will be presented.

According to Mr. Jiang (Interview 2011), it is expected that the supplier is informed about the latest news in the market. As a supplier one needs to always be updated on technical and innovative solutions. Mr. Jiang (Interview 2011) states that he expects high quality of the products, and that it needs to be convenient, in relation to where the supplier is located. The expectations of good after sale service was conveyed and that the suppliers need to provide the customer with a

service team, that is available to the vessels on a short time noticed. Another issue that Mr. Jiang (Interview 2011) expects is that the suppliers need to be aware of potential problems that can occur, in order to be kept to a minimum.

Mr. Chen (Interview 2011), as Mr. Jiang, states his expectations to the supplier when it comes to being updated on the latest news. He states that there are regulations updates for the shipping industry every year, and the supplier needs to follow up these regulations. He also expects that the production will follow the market trends. If a vessel was build a long time ago, the products should be able to be updated in accordance to changes in regulations (Chen Interview 2011).

From the interviews with Mr. Huang, Mr. Hu and Mr. Xu (2011), the authors learned that quality, price and service are most expected, of the products and the suppliers. They all expressed that the quality of the products is most significant, but the price needs to be reasonable. Mr. Hu (Interview 2011) additionally conveyed the importance having fair people working in the supplier's company, to avoid opportunistic behaviour.

Mr. Yin (Interview 2011) expressed that there are high expectations to the suppliers' delivery time. It is expected that the suppliers deliver on time, and are consequent on this issue (Yin Interview 2011). The commissioning time is also of high importance for Mr. Yin and Mr. Mao (Interview 2011). The arrival of the products must be in accordance with the request. This was supported by Mr. Xu (interview 2011), who had the same expectations.

As the ship designers are of great influence to the ship owners and shipyards (Zhu and Zhou, Interviews 2011), their expectations to the suppliers and their products are of interest. Mr. Du (interview 2011) conveyed that the brand name is of high importance when choosing suppliers. He stressed the fact that reputation is vital, and that the suppliers are well known in the market. This is the key to get on "The makers list". Mr. Du and Mr. Mao (Interviews 2011), as others, expressed their expectations for the after sales service and service after the shipbuilding process. Mr. Du (Interview2011) states that he expects that the supplier is attentive to the shipyard during the building process. Mr. Du and Mr. Mao (Interviews 2011)

expect both that the products are of high quality, because the product performance is essential in the offshore segment. The product quality is expected to be reliable. Mr. Du (Interview 2011) does not have expectations about the price, as the designers are not as sensitive to the price compared to the ship owners and shipyards.

5.2.5.2 Preferences of suppliers and products

Several preferences of the suppliers and the products were additionally listed during the in-depth interviews for the purpose of uncovering what the customers really want from a supplier. The highest ranked attributes preferred will be presented.

Mr. Jiang, Mr. Chen and Mr. Hu (Interviews 2011), stated clearly that most of their preferences are in addition expected, but to a greater extent. As they expect high quality and good after sales service, they prefer the highest quality and the best after sales service for the best price.

Mr. Chen and Mr. Hu (Interview 2011) stated that a company with great reputation is preferred, and conveyed that if a company holds a good reputation, this would equal that the products are of high quality. The preference of doing business with a well organized company was in addition expressed by Mr. Hu (Interview 2011).

Mr. Huang and Mr. Jiang (Interview 2011) preferred that their company and the supplier have established a personal and long-term relationship, and stressed that it is essential that both parties focus on a continuation of the relationship after the sale. This way extra benefits could be provided, and make one supplier in favour.

Mr. Yin (Interview 2011) states that he prefers that the supplier is flexible and able to deliver on time if any order changes would be necessary. The shipyards are often on a very strict schedule and in need for fast delivery time or changes. As Mr. Huang (Interview 2011) would moreover prefer, the supplier should provide

longer warranty time, and shorter delivery time.

Mr. Du and Mr. Mao (Interview 2011) preferred that the products are of high quality and that they are innovative and on a high technological level. Mr. Du (Interview 2011) conveyed that innovativeness; high technological level and hydrodynamic performance are important attributes he would prefer of the products. If a supplier can maintain these issues, it is likely to believe that they will have the leading position in the market. As he stated, he would “*prefer suppliers that manage to think outside of the box*” (Chen Interview 2011). Mr. Mao (Interview 2011) preferred that the suppliers can provide advanced technology and solutions that quickly can fit into the project. He stated that he prefers the suppliers to produce products that are environmentally friendly, and expressed his preference for products that can reduce the fuel consumption. Aforementioned, the ship designers are not as price sensitive as their customers. (Chen and Mao Interviews 2011) However, they both stated that even though they are not expecting the price level to be low, they would definitely prefer the price to be low. Besides, a lower product price can make it easier for the ship designers to write specification and suggest suppliers that meet the ship owners or shipyards price requirements.

To briefly sum up, the majority of the interviewees ranked quality, price and service as the most crucial attributes for suppliers in order to be chosen, and language and nationality of the supplier as the lowest attributes of importance (Interviews 2011).

5.2.6 Competitors

How are SP's main competitors approaching the Chinese ship owners and shipyards in the offshore segment?

The purpose of this research question is to discover how SP's main competitors are approaching the Chinese customers today, and how they have succeeded. As some of SP's main competitors hold a greater market share than SP (Zhu Interview 2011), it is of SP's and the authors' interest to bring light to why. In

addition, this can provide an input on where SP should position themselves in the market compared to their competitors position.

MAN

“MAN Diesel & Turbo is the world market leader for large diesel engines for use in ships and power stations, and is one of the three leading suppliers of turbo machines” (MAN Diesel Turbo 2011 URL). MAN was founded in 1758 and has been operating in the Chinese market since 1994 (Zhou Interview 2011). MAN has both the advantage of entering the Chinese market early as well as they deliver the complete propulsion package, including engines. MAN is attending exhibitions to influence their customers, as well as building a bigger brand name. They make publications of customer magazines to approach the customers. MAN is a central player in the market and creates different events and fairs all over the world (MAN Diesel Turbo 2011 URL). Additionally, MAN is focusing on corporate social responsibility, in example they are sponsoring SOS Children villages in Japan at the moment. This is an initiative in order to establish and maintain a good reputation and create brand awareness. (MAN Diesel Turbo Press 2011 URL)

Wartsila

“Being a technology leader in this field, and through the experience, know-how and dedication of our personnel, we are able to customize innovative, optimized lifecycle solutions to the benefit of our clients around the world. While delivering a complete range product” (Wartsila 2011 URL). Wartsila was founded in 1834, and has been operating in PRC since 1992, which has given them the advantage of being a pioneer in this market. Wartsila provides their stakeholders with the magazine “Twentyfour7”, which is published four times a year. The magazine is made for customers, media, investors and students in the shipping industry, and is a great initiative in order to establish their brand and present their products. (Wartsila Media 2011 URL) Wartsila spend resources on attending exhibitions and to promote and build relationship with new and existing customers. One of Wartsila’s strategies in order to create brand awareness is their focus on students.

By donating their products to marine universities in PRC, they create awareness among the students, who brings this awareness with them into their future jobs. This is in addition an initiative which helps establishes Wartsila's good reputation. (Zhou Interview 2011)

Rolls Royce

"Rolls Royce is committed to the marine market and maintaining its world leading position in the design, development, supply and support of products and systems for commercial and naval customers worldwide" (Rolls Royce 2011 URL). Rolls Royce uses a lot of the same approaches as Wartsila and MAN, such as exhibitions, fairs and product catalogues. Additionally, they have University Technology Centres (UTCs) in the UK, Norway, Sweden and Korea. This represent Rolls Royce as a big sustainable and innovative company towards the customers. (Rolls Royce Customers 2011 URL) Rolls Royce also emphasizes to be located close to their customers, to provide spares, service exchange components and the best levels of service. Seeing that the service provided is of high importance to customers according to the majority of the interviewees, this is a significant strength for Rolls Royce compared to SP (Rolls Royce Services 2011 URL).

Schottel

Schottel value: *"High product quality and a real commitment to local presence are the hallmarks of our continuing success. A long tradition forms a major part of our corporate culture"* (Schottel 2011 URL). Schottel states on their webpage that they are interested in: *"cooperation with suppliers who are interested in a long-term relationship on partnership terms with a globally operating company"* (Schottel Suppliers 2011 URL). Schottel approach their Chinese customers by sharing the company's value. Another way Schottel approaches their customers is with attendance on exhibitions worldwide (Schottel Exhibitions 2011 URL). Schottel have a service centre as well as an agency in Suzhou, PRC. This makes it easier to approach Chinese customers.

Berg Propulsion

“Berg Propulsion is one of the world’s leading designers and producers of Controllable Pitch Propellers”. (Berg Propulsion 2011 URL) Berg, as the other competitors, has been operating in PRC for a longer time than SP, and entered with success. In PRC they emphasize on their sales team, as they did a great effort penetrating the Chinese market. Berg has a local technical department that are able to handle any technical problems that occur, as quickly as possible. Their service department consist of a large service team, for Berg to provide premium service to their customers. This is a huge advantage for Berg, as several shipyards in PRC are not qualified in operating with high technological solutions. Berg do not charge the after sale service they offer to the customers, which can be beneficial for Berg to be the chosen supplier. Compared to SP, this makes the total price for a customer who chose Berg, significant lower. Berg continuously advertises in newspaper and magazines, and in addition have big stands at exhibitions. (Zhu Interview 2011) Berg often invites important customers to dinner and entertainment to make a good impression on the customers.

It can be claimed that all of the suppliers are approaching in more or less the same way. This was supported by Mr. Huang (Interview 2011), who stated that he felt that all the suppliers were using the same methods to approach the customers. Mr. Chen (Interview 2011) emphasizes the importance of attending exhibitions and fairs, because all the well-established suppliers are attending these events. The customers use these events to observe, because a strong brand name, a good reputation and the company size are some of the most important factors when ship owners and shipyards are choosing suppliers (Huang Interview 2011). Mr. Hu (Interview 2011) recommends that SP should focus on developing a stronger brand name in order to attract new customers. He explains that SP would benefit from making a greater awareness as this is one important factor when it comes to choosing supplier. However, Mr. Hu (Interview 2011) compliments SP by having a good and solid reputation. According to Mr. Zhou (Interview 2011) SP’s competitors have been in the market for a longer time, and are therefore better known in the marine industry. The mentioned competitors are also using more money and time on marketing compared to SP, and this makes their brand awareness stronger within the industry. Inviting customers to seminars where the

suppliers are releasing new technology solutions are also an important way to approach customers according to Mr. Zhou (Interview 2011). With this said, the most efficient way to approach customers for all the mentioned companies, is to build relations. All the companies are constantly working to maintain and expand a good relationship with all the customers. As Mr. Zhou pointed out (Interview 2011), a good relationship is what really matters.

Part IV: Internal and External Analysis

6. Internal Analysis

In order to identify SP's weaknesses and strengths in the Chinese market, the authors have analysed SP's attributes within the organization by using the resource-based view, and displayed how these attributes contribute to SP's position in the market by using the VRIO framework.

6.1 Resource-based view

SP's representation office in Shanghai was established in order to perform as a strong actor through synergies on common sales, marketing and service and through utilization of technical know-how (Scana Industrier ASA 2011 URL). It is important to analyse internal strengths and weaknesses SP has in relation to resources and capabilities. Financial, physical, human and organizational resources are the categories the authors are looking into. After analysing these resources, the authors gained a better insight, and were able to state where SP needs to strengthen themselves, and what resources they can and should take full advantage of.

6.1.1 Tangible resources; financial situation

Profitability for each individual company is a success criterion for SP. Maximum utilization of the total resources requires a consecutive overview of all elements having a financial impact. Within SP, cost sharing and profit sharing is a principle, and common budget for common activities and responsibilities are to be maintained (Scana Propulsion business plan 2009). With PRC having a fairly different business culture, it must be taken into consideration that the common promotion and marketing plan, SP wants to be coordinated, needs adjustments to reach this segment. The financial situation of SP is very stable and well positioned to handle the time consuming process of building their brand and get a greater

share of customers in the offshore segment of China. (Scana Propulsion business plan 2009)

6.1.2 Tangible resources; Physical resources.

SP's office in Shanghai is soon to be moved to another location. Currently the office is located in Wei Hai Road, but from June 2011 it will take place in Huai Hai Road. The new office will not only be bigger, but also better located. This move will be helpful when establishing new contacts and customers. The new office will represent SP as a serious, successful and well-established company. In a country where relationships are of great importance, a good impression from the first meeting is of essential for these potential relationships. (Zhou Interview 2011) SP benefits from their easy access to raw materials, as the Scana Group includes steel manufacturing. SV provides SP with raw materials. The actual manufacturing of SP's products takes place in Volda, Norway. This is partly a disadvantage, as the products have to be shipped to PRC, which is costly and time consuming. (Zhu Interview 2011)

6.1.3 Intangible resources; SP capabilities

SP has not implemented a strong service team, which is extremely valuable for their customers (Interviews 2011). The after sale service SP offers today is small and expensive compared to their competitors (Zhou Interview 2011). The authors view the lack of this capability as a disadvantage for SP in the offshore market, due to the fact that this increases the total price even more. The service SP provides is a support activity for sales, and their small service team can be a factor of why SP may not be the preferred supplier for some projects (Zhu Interview 2011).

6.1.4 Intangible resources; SP competence and capabilities

SP produces CP propellers, gears, fixed pitch propellers, thrusters and remote control systems (Scana 2011 URL). According to Mr. Zhu (Interview 2011), SP holds great technological and innovative capabilities, and aim to be the leading

supplier of new technology. Quality is in addition one of SP's main focuses and a competence that SP possesses. The long history and product experience and within the company, has provided SP with significant product competence, which has led to a high quality level.

6.1.5 Intangible resources; Experience in the PRC

Compared to SP's main competitors, SP does not possess the same experience. Their main competitors have been present in the market for a longer time; however, the entrance for SP in PRC has generally been a success. (Zhou Interview 2011)

6.1.6 Human Resources

SP has nine employees working at Scana Volda's Shanghai office (Scana 2011 URL). Eight out of nine employees are Chinese, who have great competence within the Chinese business culture and the marine segment. The personnel's knowledge of how to approach Chinese companies, that are potential customers, is a strong and valuable resource. The technical competence differs within the organization according Mr. Zhou (Interview 2011).

6.1.7 Organizational Resources

SP possesses a good reputation among their existing customers. The authors stress the fact that the reputation is what the market knows and think about SP, while the brand awareness is how many who knows about SP (Hu Interview 2011).

According to Mr. Zhou (Interview 2011) SP enjoys a good reputation but suffer from low brand awareness compared to their main competitors.

SP has gained valuable relationships in the PRC, however, their focus on the Western companies the first years in the PRC, has lead to a smaller network of relationships among Chinese companies compared to their competitors.

According to Mr. Zhou (Interview 2011) the efficiency between SV Norway in SV Shanghai could be improved. Communication and order efficiency is relatively low, which can implicate in loosing customers

6.2 The VRIO framework

VRIO Framework	Is the resource				
	Valuable?	Rare?	Costly to Imitate?	Possible to exploit by Organization?	Competitive Implications
Customer Service	NO	NO	YES	NO	<i>Competitive Disadvantage</i>
Relationships and Connections in PRC	YES	NO	NO	YES	<i>Competitive Parity</i>
Product quality and experience	YES	YES/NO	YES	YES	<i>Sustained Competitive Advantage</i>
Technology and innovation	YES	YES/NO	YES	YES	<i>Sustained competitive advantage</i>
Established organisation	YES	NO	NO	YES	<i>Competitive Parity</i>
Human Resources	YES	NO	NO	YES	<i>Competitive Parity</i>
Financial situation	YES	NO	YES	YES	<i>Competitive Parity</i>
Product Range	YES	NO	YES	NO	<i>Competitive Parity</i>
Organizational Efficiency	NO	NO	NO	YES	<i>Competitive Parity</i>

Product Price	NO	NO	YES	NO	<i>Competitive Disadvantage</i>
Experience in the PRC	YES	NO	NO	YES	<i>Competitive Parity</i>

Figure 6: The Vrio Framework. Made by the authors 2011

6.2.1 Explanation of the VRIO framework

From the VRIO framework, SP's sustain competitive advantages have been identified as “*product quality and product experience*”, and “*technology and innovation*”. The authors find the product quality and experience valuable mainly because quality is one of the most important attributes for customers in the offshore segments (Chen Interview 2011). SP has a long history and product experience, which has resulted in the high quality level among SP's products. The authors find it rare due to the fact that SP's products are of prime quality, and there are few competitors in the market that offers the same superb quality level. However, some of their competitors offering approximately same quality; therefore the authors find it not completely rare. The question of imitation is answered yes, due to the fact that it is costly for companies to imitate the great quality developed through long experience and history. The authors answered yes to the resource being exploited by the organization, as SP has exploited this through their position as a high quality product, and continuous quality improvements. (Zhu Interview 2011) As the questions of value, imitation and organization are answered yes, and rare is answered yes and no, the authors find the VRIO requirements fulfilled, and can be seen as a sustained competitive advantage.

“Technological and innovation” resources are the second resource where the authors find the VRIO requirement fulfilled, and can be viewed as a sustained competitive advantage. This resource is valuable as Mr. Du and Mr. Mao (Interviews 2011) expressed that high technology and a company's innovativeness is reflected in the product, and stated their preference for these products. The

question of rarity is answered yes and no for the same reason as for product quality and experience. For an organization to imitate the high technological level and innovativeness SP possesses is very expensive. In order to implement this, preliminary research and commitment to investment is required and this is expensive. According to Mr. Zhu and Mr. Zhou (Interviews 2011), SP is highly committed to the utilization of technology and innovation development. The question of organizational exploitation is therefore answered yes, and the VRIO requirements are fulfilled to be a sustain competitive advantage.

The authors have identified the “*customer service*” and “*product price*” as the competitive disadvantages. The customer service is answered no to the question of value, because the authors do not find it valuable for SP to have a small and expensive service team. The supporting activity service team is valued strongly by SP’s potential customers according to Mr. Hu (Interview 2011) The question of rarity is answered no due to the fact that SP’s main competitors offer larger and low-cost service teams. It is costly for companies to establish a great service team, as it requires continues training and development, to follow the development of new products. In addition it requires an increased workforce available for the customers. (Zhu Interview 2011) The answer to the exploitation by the organization is answered no because there has been no improvements of the small and expensive service team, to this date. SP still only has two people who can provide their customers with service, and it is limited how SP can exploit these two. (Zhou Interview 2011)

The product price has in addition been identified by the authors a competitive disadvantage. The product price is a highly valued product attribute among the customers (Hu Interview 2011). The question of value is answered no as SP products are very expensive, so the price attribute is not valuable for SP seeing that they cannot act on this resource in order to be competitive in the market. It is in addition not rare as other players in the market are competing on price (Zhu Interview 2011). The authors find it relatively costly to imitate low prices on products with approximately similar quality. In order to save costs it has to be on the expense of something else, such as quality or delivery time. SP does not exploit the product price, since their focus is and will always be on quality. SP’s

products are in addition produced in Norway, which is one of the elements that increase the price. However, SP wants to keep their production in Norway to ensure quality towards the customers. (Zhu Interview 2011)

6.2.2 Critical evaluation of the VRIO framework

The information applied in the VRIO framework is based upon two internal in depth interviews, internal business plans made by SP and information from SP's homepage. Noteworthy is that the VRIO framework is subjective, as it is the authors who have identified the most evident resources SP possesses, and not an objective point of view. When working with the VRIO framework, the authors found it to some extent hard to distinguish between yes and no for some of the questions asked, regarding some resources. In example a resource can be rare if it is of the best quality, however it is not completely rare if the competitors' quality is nearly as good. Aforementioned, SP's products are of superb quality, but the competitors' quality is also competitive. A few questions regarding some of the resources has due to this been answered both yes and no. The authors have made the assumption that the VRIO requirements for a question answered, is fulfilled if it is answered yes and no.

7. External Analysis

In order to identify SP's opportunities and threats in the Chinese market, the authors have analysed SP's macro environment. Due to the thesis aim, an external analysis of organizational buying behaviour and decision-making is included.

7.1 External Analysis of SP's Macro Environment

In the external analysis of SP's macro environment, the authors have applied the PESTEL-analysis and Porter's five forces.

7.1.1 PESTEL analysis

The PESTEL analysis has been applied by the authors in order to identify the external factors in SP's market environment that can be vital for SP's operation. These factors can be considered as opportunities or threats for SP.

7.1.1.1 Political Factors

PRC has put in a lot of effort, since the early 1990's, to liberalize foreign trade in order to build the nations economy. Tariffs have been cut; many state-trading monopolies have been eliminated, along with import licensing requirements and export subsidies. (USDA Economic Research Service 2009 URL) Although, the latest released White Paper – “White Paper on the State of American Business in China” – draws attention to an emerging pattern of Chinese industrial policies that favour domestic companies at the expense of their foreign counterparts. The White Paper also address that all foreign countries are barred from participating in some major industries, excluding the marine, which makes the PRC's commitment as a WTO member to developing free and open markets questionable. (The American Chamber of Commerce People's Republic of China 2011 URL) PRC is one of the world's most emerging economies and has become over the years one of the most attractive nations to invest in, however, the incomplete transaction to a free market and the complex political system makes it risky to enter. There are many aspects to take into account and that can affect SP's efficiency in the Chinese market, though the authors' interviewees stated there were no direct complications by the political environment for the shipbuilding industry. This is a relatively new industry in PRC and its rapid growth is both a result and an influence for the governments' subsidizing. PRC is also strengthening the offshore industry in order to get more oil, which has created great opportunities for foreign companies to invest in this sector in PRC (Zhu Interview 2011).

The infrastructure of PRC is varying throughout the country. Being a great nation with many cities and rural areas, there are a lot of places in need for improvements as well as some areas have very good infrastructure. From 2010 to 2015 PRC will invest heavily on the infrastructure with estimated 7 trillion RMB, emphasizing on transportation and rural infrastructure. (China Daily 2010 URL)

This can have a positive outcome for the shipbuilding industry where a short delivery and transportation time is highly valued.

The 2011 Nobel Prize has had its impact on the Norwegian business in PRC. It has on the other hand not caused any serious complications for the shipbuilding industry, as of SP's concerns (Zhu Interview 2011), though it has been harder to get a visa to enter PRC. The process is now more time consuming and a multiple entry is often not accepted, which can cause difficulties for business trips.

7.1.1.2 Economical Factors

PRC is financially growing and has the fundamentals for economic development, though it has been stated that the economic growth will slow down in 2011. (English Xinhuanet 2010 URL) PRC has been concentrating rigidly on growing its financial status since the millennium, which has caused some tremendous changes; millions are out of poverty, cities have grown to be financial poles creating an entirely new global marketplace, but it has also made the wealth gap within the country bigger, increased inequality, caused massive corruption and sacrificed the environment. The government of PRC has been more aware of the effect their economic growth has had on the environment and will focusing more on having a sustainable growth considering industrial capacity and resource consumption. (Irish Times 2011 URL) A factor that has influenced PRC in becoming as strong as it is in the world market and the leading country in exporting, is their currency manipulation. PRC is printing more money in order to keep their currency low, even though PRC experiences inflation, and this makes a disturbing economic imbalance. (Campaign for Americas Future 2011 URL) This can be good for SP since this, and the fact that PRC is eager to build up the shipbuilding industry, results in PRC having a market full of potential. On the other hand it might also result in harder competition, as PRC gain competitive advantage, and it is speculated that the economic imbalance might turn out in a bigger financial crisis than what was seen in 2008. (Campaign for Americas Future 2011 URL)

7.1.1.3 Social Factors

The recent years have shown a growing trend of intensive working among Chinese. This gives SP an opportunity to utilize the hard working and inexpensive workforce. With being as many inhabitants in one country, the competition in the working industry has become fierce. Getting rich is a national obsession and drives the Chinese to become more and more “workaholics”, as it is seen that the development of the social trends are moving towards American social trends. (eChina Cities 2011 URL) This and the fact that 73,6 per cent of PRC’s population is between 15 and 64 years old are good indicators that the workforce in PRC is huge (Central Intelligence Agency 2011 URL). Though many Chinese have become more eager to work, there are many citizens from rural areas that travel to the bigger cities to get educated and work for some years, to save up money and further on retreat to their hometown to take care of their wives and children. For the shipbuilding industry, where loyalty is important, this can be troubling. The operations and the products are complex and it is necessary for employees to be well trained, which is both time and money consuming. The workforce in PRC cannot be expected to accept as low income as before. As the nation has grown to be the leading country of the world’s export and the financial situation is that rapidly growing, the changes in the income distribution are natural outcomes. (CRIENGLISH 2011 URL)

7.1.1.4 Technological Factors

Internet is an increasingly used information source. One of the government’s focuses is to build a wider network throughout the country, with especially emphasis on rural areas, where most of the shipyards are located. With the growing Internet traffic it has become a business platform with forums and information, and brought an opportunity for SP to build its brand name through IWOM among other things. It is also essential for the communication process between companies in the country with long distances.

Technological innovation within the shipbuilding industry is, as with most industries, is highly weighted. The latest trend is the new demand for bigger ships. Different ship owners are planning on building almost twice as big ships than

produced before, which means the need for bigger tunnel thrusters will develop. (Zhu Interview 2011) This demand can be a huge opportunity for SP.

7.1.1.5 Environmental Factors

The environmental awareness is as mentioned growing in PRC. So far the concern has not hit the many Chinese ship owners yet, but the authors believe it is only a matter of time. There are more Western companies that take the environmental issues into account in the decision-making process. In example Mr. Wang (Interview 2011), a Western ship owner, expressed his concern about the environment. His company is certificated by ISO 14 000, and he prefers that his suppliers have this certification. Mr. Hu (Interview 2011) stated that the weather and climate of one nation could affect the decision-making process, in the way that they would rather do business with suppliers from a country that has a stable climate. This is because it reduces the risk of disastrous weather that can cause complications for the shipbuilding process.

7.1.1.6 Legal Factors

In an article in BBC about how legal issues spook PRC, investor Mr. Chu expressed “No one knows how many laws there are in China” (BBC News 2005 URL). The legal system in the PRC is fast evolving, and the country’s legal system only dates back to 1979. In PRC laws are tried out and then pulled back for evaluation, while in the west discussion papers presage legislation. The legal factors in PRC are fluid and risky. (BBC News 2005 URL)

During the conduction of in depth interviews, the authors did not discover any legal factors that affect the decision-making process directly in accordance to purchase. This is supported by Mr. Zhu (Interview 2011), who states that this is not of concern, due to how these decisions are made. But considering that foreign firms who operate in PRC have to follow national, international and Chinese laws, the authors found it important to keep in mind how the Chinese legal system is constantly changing.

A legal factor that affects the industry is certification. It is necessary with certification to be able to travel anywhere with any types of ships, but the laws and restrictions can differ from one nation to another. The ship owner requests the certification company that is wanted, in accordance to the purpose of the ships. (Zhu Interview 2011)

The authors have illustrated a sum up of the PESTEL-analysis:



Figure 7: Overview of the PESTEL-analysis. Made by the authors 2011

7.1.2 Porters Five Forces

An analysis of SP's competitive environment, by identifying the level of threat and attractiveness in the market for propulsion systems, will be presented by applying Porter's five forces model. These factors could be considered opportunities and threats for SP.

7.1.2.1 The Threat of Rivalry

The competition in the industry SP is operating in is very complex and challenging. According to Mr. Jiang (Interview 2011) Wartsila is a big competitor, and is more dominant than the other players in the industry. Unfortunately, Wartsila makes SP less competitive. Wartsila have given more effort and activities towards the Chinese ship owners and shipyards than SP have done. In addition, many of SP's main competitors have production facilities in PRC, which makes their product more optimal due to price. This is a disadvantage for SP due to their expensive production in Norway. There are different players in the industry, and all of the interviewees claimed that they knew all of the suppliers in the market. (Zhu Interview 2011) It is not likely that one company can be the only one with new technology and innovation, as similar products characterize the industry. It is difficult to differentiate the products in this industry, as they all are specialized and produced almost similar as well as the companies are copying from each other (Zhu and Zhou Interviews 2011). SP needs to stay competitive by keeping up with the technology and be innovative. The authors have evaluated the threat of rivalry among the competitors as high.

7.1.2.2 The Threat of Entry

According to an interview with Mr. Zhu (Interview 2011), it is not easy for new companies to enter this industry. Sustainability, technology and references, as well as relationships are the most important criteria to potential customers. According to Mr. Chen (Interview 2011), the establishing of relationships is very important as well as challenging when operating in the PRC. All the competitors present in the market continuously work to maintain and establish relationship with customers. New entrants would have to start from scratch, and therefore have a huge disadvantage compared to the already existing companies (Zhu Interview 2011). Due to the high ranked LTO for PRC (Geert Hofstede 2006 URL), it is reasonable to believe that most of the customers already have these long-term relationships established. Even though the Chinese ship building industry is an attractive industry to enter, the authors have drawn the conclusion that the market for propulsion systems has high entry barriers, and the threat from potential entrants to be low.

7.1.2.3 The Threat of Powerful Suppliers

SP is provided with raw materials from SV in Norway, and it is also SV that is in charge of the whole production (Zhou Interview 2011). SP is therefore not affected of the powerful suppliers that might be in the industry do therefore not affect SP. However, the production in Norway affects the price SP sets on their products, due to high production and transportation costs.

7.1.2.4 The Threat of Powerful Buyers

Customers in the shipbuilding industry have many suppliers to choose from. The ship owners and the shipyards will basically choose the supplier with the best correlation between price and quality with the additional input of other factors. (Zhu Interview 2011) This factor and the fact that the products are seen as similar (Chen Interview 2011) result in powerful buyers. None of the products offered in the market are unique, which again increases the power of buyers. The authors have concluded that the threat of powerful buyers is very high towards the suppliers in the industry.

7.1.2.5 The Threat of Substitutes

Substitutes to propulsion systems may be new technological tools that can give new solutions to a problem (Zhu Interview 2011). The authors cannot see that a specific substitute can replace the propulsion systems' current products in the near future. A substitute in this industry must be new technology and new solutions that are more efficient than today. (Zhu Interview 2011) Through the in-depth interviews the authors learned that fuel efficiency is a very important issue when building a new ship. It is therefore important to continually develop new technology so that the ship can be more fuel efficient and environmentally friendly. (Mao and Du Interviews 2011) In conclusion, the authors find the treat of new substitutes as medium due to the continuously development of new technology and innovation in the shipbuilding industry.

7.1.2.6 Conclusion

In conclusion the authors would state that the shipbuilding industry is complex and difficult, and requires a company to be on top of the game at all times, in order to stay competitive and capture as many projects as possible. The competition is hard and there are many players in the industry, which means that SP has to improve and increase their activities towards Chinese ship owners and shipyards. Because of this and all the fundamentals that have to be established in order to be competitive, make the industry difficult to enter and the threat of new entrants minimal. It is also a challenging industry for SP, since the power of the buyers is high. Lastly the authors have concluded that the threat of new substitutes is medium, due to the continuously development of new technology and innovation in the shipbuilding industry. An illustration of this is provided:

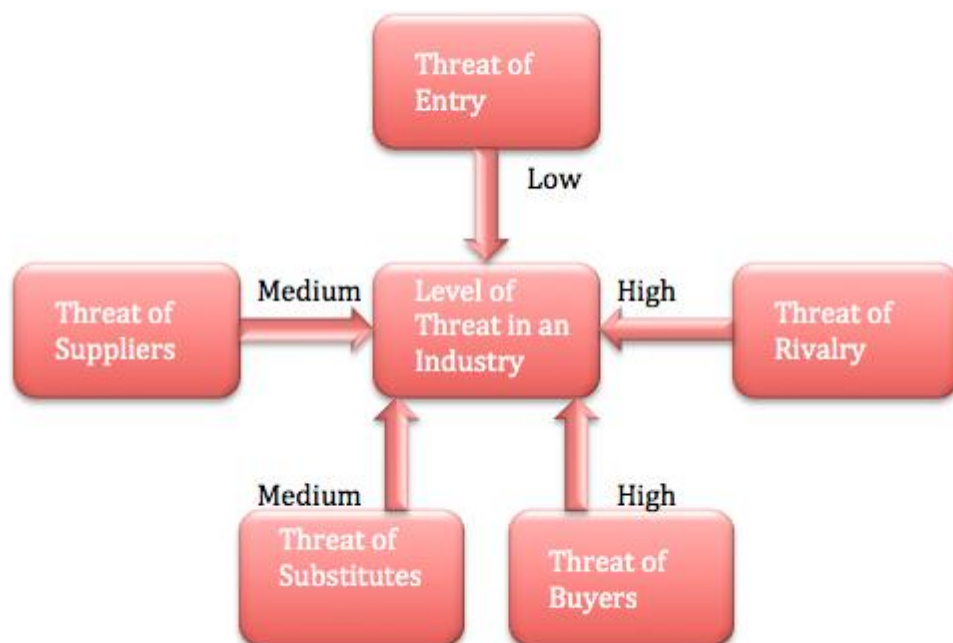


Figure 8: Porter's 5 Forces. Made by the authors 2011

7.2 External Analysis of Chinese ship owners and shipyards organizational buying behaviour

In the external analysis of Chinese ship owners and shipyards organizational buying behaviour, the authors have applied the theory of the different buying situations, the buying centre and the buying process, in order to capture the complexity of decision-making.

7.2.2 Different Buying Situations

Seeing that it is of SP's interest to approach their customers right, the different buying situations need to be analysed, as they determine how decisions are made. As the authors have explored through their in-depth interviews, they have found that the decision-making process differs in accordance to what kind of buying situation a customer is facing.

7.2.1.1 Straight re-buy

In the straight re-buy situation it implies from most of our interviewees that the supplier chosen, is an existing supplier or partner. As Kotler, Keller and Lu (2009) states, this is done on a routine basis, and according to Mr. Zhu (Interview 2011) the supplier chosen will be one existing supplier on "The makers list". For a new supplier to be considered in a straight re-buy situation, it is important that they get chosen for the first vessel. According to Mr. Du (Interview 2011), the importance of being chosen for the first vessel, is due to the fact that most vessels are build in series, and a straight re-buy situation will then occur, as nobody wants to change supplier. Changing suppliers are both time consuming and costly (Xu Interview 2011). In addition, Mr. Chen (Interview 2011) stated that if no complications come to pass for the operating vessels, it is impossible to change supplier. He also stated that they would not change supplier for operating vessels, because they are satisfied with the existing ones and have developed long-term relationship with them (Chen Interview 2011).

7.2.1.2 Modified re-buy

In the modified re-buy situation the authors find through their research, better chances for new suppliers to be chosen than in straight re-buy situations. Seeing that some of the specifications are changed in the modified re-buy situations (Kotler, Keller and Lu 2009), the chances for other suppliers' products and services to be more suitable, can be present. As Mr. Chen (Interview 2011) stated they would consider changing supplier if complications rises, and adjustments are needed. In spite of this, to be the chosen supplier in a modified re-buy situation is like anything difficult.

7.2.1.3 New task

In the new task situation, the decision-making process is longer (Kotler, Keller and Lu 2009), and there is more time for a supplier to influence the participants in the buying centre. In a new task situation, the customers are more willing to change suppliers, and spend more time on the research process in order to find the best offer in the market (Chen and Jiang Interviews 2011). The importance of being chosen for the first vessel is previously stressed, and Mr. Zhu (Interview 2011) has additionally expressed the importance of focusing on new upcoming projects.

According to Kotler, Keller and Lu (2009), the new task situation goes through most of the stages in the buying process. The authors have identified the most crucial individuals to influence in the buying centre as the ship owners, the technical department within the organizations, and the ship designers. Since decisions are made by several people and can vary in new tasks situations (Kotler, Keller and Lu 2009), this is also the buying situation where it is easiest for new suppliers to influence the final decision. Notwithstanding, the fact that relationship is often what determines the choice of suppliers in the PRC (Gesteland 2005), the new task situation is where the opportunity for a new supplier to be chosen is highest (Kotler, Keller and Lu 2009), seeing that the customer starts at the beginning of the buying process.

7.2.2 The buying centre

It is crucial for SP to have an analysis of the buying centre, in order to get more knowledge about how the Chinese ship owners and shipyards make their decisions. As it is of SP's interest to discover this, an analysis of the buying centre will be presented. The buying centre is inevitable to analyse, as it is the human aspect of the decision-making process.

The majority of the interviewees, answered that the buying centre in their organization consist of four to six persons that work in the technical department, purchasing department or the board of management. However the authors have learned from theory that the buying centre involves way more people (Kotler, Keller and Du 2009). Due to this, additional questions were asked in order to identify all the people taking part in the buying centre. The participation in the buying centre is in addition depended on what kind of vessels are to be purchased (Jiang Interview 2011).

7.2.2.1 Final Decision-makers

The final decision-makers have been identified as the ship owners. For SOE's the decision is made by several people and paper work will be sent up in the hierarchy, while for POE's the decision can be made by one person. The final decision makers could be a team in the purchasing department or technical department when it comes to purchasing of operating vessels. For new buildings on the other hand, the decision can sometimes be decided by public bidding for SOEs and the ship owner has the final say for POE's. (Yin and Jiang Interviews 2011)

7.2.2.2 Influencers

The ship designers are of great influence to the ship owners. The designers will recommend suppliers, through a list of specifications and preferences (Du Interview 2011).

The people working in the company, and who are involved in the process can also influence the final decision (Chen Interview 2011). Different people in the company will collect purchase information, and they all have thoughts and preferences about different suppliers, which can influence the ship owner. It could also be given presentations about the products to the workers, so that they gain knowledge about the products. (Zhou Interview 2011)

Key persons can also be of influence in the process. Key persons could be a person that has an internal or external relation within the ship owners company. When constantly being in contact with this key person in order to develop relationship networks, one could get information about the competitors, in order to deliver a better proposal to the ship owner. (Zhou Interview 2011)

7.2.2.3 Initiators

According to Mr. Zhu (Interview 2011), it is the ship owners and the shipyards that first become aware of the problem regarding purchasing of new products. Within the ship owner company, it is often the purchasing department and technical department that recognise the problem (Wang Interview 2011). As both the ship owner and shipyard could be an initiator in the buying process, it is crucial to influence them as well, in order to be considered when the problem arises.

7.2.2.4 Gatekeepers

The gatekeepers in an organization can be a key person as well, who are of importance to influence. These may withhold important information than can be of relevance for the decision-makers (Zhou Interview 2011). Most Chinese sales managers use their own personal contacts when doing business. The manager's experiences are highly important when a decision about purchase is to be made (Zhu Interview 2011). These may also withhold information of importance.

A secretary may also be a gatekeeper that can be of relevance to influence. Yet, the authors do not see it relevant to influence the secretaries in Chinese companies, due to the high PDI that exist in PRC. (Geert Hofstede 2006 URL)

The technical department consist of many people controlling and distributing information in accordance to purchase. They are also essential to influence because of their knowledge and information about the suppliers' products and their wider knowledge of technology. (Zhou Interview 2011)

7.2.2.5 Users

The users of the products are first the workers at the shipyards, and the end users are the ship operators and crew on board. The importance of satisfied workers is present in any organization, and may influence the organization in many ways. In conformity with decision-making, the importance of satisfying the users is exalted, referable to increased productivity in the shipyards and operation of the final vessel. (Zhou Interview 2011)

7.2.2.6 Purchasers

The ones that place the order to purchase the final product are according to Mr. Yin (Interview 2011), the purchasing department within the ship owner and shipyards organization.

7.2.2.7 Conclusion

The authors have concluded that there are a numerous people to influence within the buying centre. Through the in-depth interviews conducted, the authors have gained valuable information about how the buying centre works, and the different role the people within the process are playing. One should also keep in mind that one role can be played by different people, and that one person can play a variety of roles. From the research, the importance for suppliers to focus on everyone involved in the buying centre have been stressed, and not only the final decision-maker.

7.2.3 The Buying Process

As it is of SP's interest to analyse the decision making process in accordance to purchase, the authors have identified the theory of the buying process as a major tool in order to accomplish this. On the basis of previously stated limitations, the authors will add that even though the B2B market is more relationship-oriented, and guanxi is of importance in the Chinese market, it is found that the Western process is applied by Chinese ship owners and shipyards in new task situations

(Chen and Yin Interviews 2011). The authors have therefore merged the importance of relationships in the buying process, by stating the importance throughout the process of establishing, maintaining and cultivating relationships.

7.2.3.1 Problem identification

According to the in-depth interviews this process starts when the buyer sees opportunities, demands and has resources to build a new vessel or rebuild an operating vessel. According to Mr. Du (Interview 2011) it is crucial that the buyer already has information regarding the supplier when the problem identification arises, such as product information, price rates, experience, history and new technologies.

7.2.3.2 Solution development

After the problem identification the ship owners try to find a solution to the problem. The ship designers are usually contacted in this stage of the process. According to Mr. Du (Interview 2011), ship designers are the first to get contacted. The problem could either concern a complex or a standard vessel. If it is concerning standard vessels, solutions are often quicker made (Xu Interview 2011), as there are more familiarity regarding the vessel specifications, as well as experience with already used suppliers. Complex vessels, on the other hand, often need new technological solutions and these are to be developed together with the ship designers (Mao Interview 2011).

7.2.3.3 Product specification

The product specifications are often developed by the ship designer and sometimes by the shipyard. (Yin and Du Interviews 2011) For new projects, the ship designers commonly outline the specifications, while the shipyards generally outline product specification related to the products needed for building operating vessels. The ship designers will also give recommendation on which supplier they believe are suitable for the different projects. The specifications and the recommended suppliers create the basis for “The makers list”.

7.2.3.4 Search for, and qualification of potential suppliers

After the solutions and specifications are developed, the ship owners, ship designers as well as the shipyards are seeking information, both internally and externally (Jiang Interview 2011). Mr. Yin (Interview 2011) states the most common channels to seek out information are exhibitions and documents that have been received by potential or exiting suppliers. If the vessel is standardized, the existing “makers list” is most likely to be used, which makes the process less time and money consuming (Xu Interview 2011). Complex vessels will need more research. The supplier’s reference list, reputation, brand name and previous experience will make a big impact on the selection (Jiang Interview 2011). Exhibitions and fairs are commonly used to gather information and stay updated about new products and technology in the shipping industry, according to the overall in-depth interviews. Many channels are used, as people in the buying process seek information at all times (Jiang Interview 2011).

Mr. Jiang (Interview 2011) stated that SOE’s use public bidding when searching for potential suppliers, though the process differs from the West. As SOEs in PRC are not required to choose the least expensive offer, they can choose the supplier with the attributes they value the most. SP in PRC, with their quality focus is benefitting from the Chinese public bidding system, as they most likely would not offer the least expensive offer. SP can due to this, compete on their other strengths in order to be the chosen supplier.

7.2.3.5 Collection of offers

Existing and new suppliers that are potential to deliver the supplies will be contacted, and “The makers list” will be created. There are usually three to five participants on “The makers list” (Chen Interview 2011). According to Mr. Zhou (Interview 2011) it is strategic to have a good relationship with someone in the buying centre, in order to be able to deliver a competitive proposal. This is consequential, as there are different people in the buying centre that can influence the final decision, and hand out momentous information regarding the different suppliers.

7.2.3.6 Evaluation and selection of offers

At this stage of the process, “The makers list” is usually narrowed down to three suppliers (Chen Interview 2011). When it comes to the final decision-making, the process differs from SOE`s and POE`s, according to Mr Zhou (Interview 2011). In POE`s, the ship owners are affected by ship designers, shipyards and other participants in the buying centre, but it is the ship owners that make the final decision (Chen Interview 2011). In SOE`s the ship owners are affected in the same way, but it is a committee that together makes the decision. The process does not vary a lot, as the whole committee has to agree, independent of which type of product that is to be purchased. The committee contains of people from different departments in the SOE. The committee will make the decision based on the information collected. (Chen Interview 2011) Regarding this information, the authors have learned through their research that this may not be the case. The essential Chinese value of saving face has lead to withholding information between the interview objects. Both Mr. Chen and Mr. Yin (Interviews 2011) expressed their concern of being fair to the suppliers, and stated that the decision is of this case, made in team. Nevertheless, this may not be the case, seeing that Chinese would not go against the words of their superiors. In effect, this might lead to several situations where one person instead of a team is making the decisions (Zhou Interview 2011).

It is important for the suppliers to understand the relationship-focused culture in PRC, and exploit the possibility to affect people in the committee if a good relationship is established (Zhou Interview 2011).

7.2.3.7 Ordering and receiving of goods

Delivery time is an important attribute when Chinese ship owners are making decisions (Zhou Interview 2011), as delays or pros pounding of the building process can make an enormous economic impact. Mr. Yin (Interview 2011) conveyed that it was important that the supplier could adjust the delivery time, if necessary. The supplier will further in some circumstances have to install the received products.

7.2.3.8 Evaluation

When the ship owners and shipyards are to evaluate the suppliers, the main factors that are of importance are the quality, total price, efficiency and the service contribution offered. The other attributes are not stated, as there are concrete regulations on what the supplier shall provide. With that said, all the attributes are evaluated and compared with the listed attributes. According to Mr. Xu (Interview 2011), a change of supplier is very time- and money consuming aforementioned, and it is not guaranteed that the outcome would be better than previous cooperation. According to Mr. Chen (Interview 2011) some of the highest criteria when choosing a supplier are experience and references. For SP this part of the buying process is extremely important, in order to cultivate relationships. If a customer is satisfied with SP, it can be a start for a long-term relationship, which will be very profitable.

7.3 Country of origin

Form the in-depth interviews the authors have gained valuable information on how the interviewees perceive Norway as a COO, and how important this effect is.

SP is using the COO effect when marketing their products. SP produces their products in Norway, which is well known for good quality (Solberg 2009). According to a number of the interviewees, companies in the offshore segment and shipping segment are in general concerned about quality. According to Solberg (2009) Norway does not score very high in accordance to technology and innovation. Though, according to an interview with Mr. Zhu and Mr. Zhou (Interviews 2011), SP is a leading supplier when it comes to technology and innovation.

The fact that SP has a higher price on their products than some of their competitors may give them less competitive advantage. Norway is known for high prices (Solberg 2009). Many of the interviewees states that price, in addition to quality is important when choosing suppliers.

It is likely to believe that SP cannot use the Norwegian environmental profile in their advantage, as the in-depth interviews conducted shows that environmental issues are not of concern for Chinese ship owners and shipyards. However, the Chinese government are putting more emphasis on a sustainable and environmental friendly economic growth (Irish Times 2011 URL), it is likely to believe that SP can take advantage of this in the future.

Norway is ranked generally well on relationship, and the authors found that SP emphasizes and value relationship within their company. It is positive for SP that Norway is seen as generally good on relationship, as it will make Norwegian companies more trust worthy and preferable to potential customers. However, Chinese customers do not evaluate the relationships with Norwegians companies higher than other Western countries.

Even though SP uses the COO effect in their marketing and presentations of their products, Mr. Chen (Interview 2011) states that suppliers from Norway do not differ from the rest of the suppliers from Europe, due to the fact that both the suppliers and the products are seen as similar. This is because of the high level and importance of quality in the industry SP operates in. The importance of COO is not of relevance in this industry, as the main competitors for SP are other Western companies, and the authors have therefore drawn the conclusion that the COO effect is neutral. However, SP benefits more for being a Western company in PRC, than the fact that they are a Norwegian company.

8. SWOT Analysis

The authors have conducted a SWOT analysis in order to summarize SP's major strengths and weaknesses, and the major opportunities and threats. This creates an overview of SP's situation and material for development of the SPD and the CSF in order to generate a strategy.

8.1 Internal Environment

The internal environment is SP's strengths and weaknesses, identified in the internal analysis. In the competitive matrix the authors have graded SP's strengths in accordance to how important they are in the market, and how strong the strengths are for SP. The weaknesses are graded in the competitive matrix in accordance to how important they are in the market and how weak the weaknesses are for SP. (Framnes et al. 2006) The authors have chosen to rate the strengths by number, and the weaknesses by letters in order to clearly distinguish between them in the competence matrix.

8.1.1 Strengths

	Importance in the market*	Score**
1) Quality	5	5
2) Economy (financial resources)	4	4
3) Product experience	4	5
4) Strong organization	3	4
5) Technology and innovation	5	5
6) Local employees	5	3
7) Reputation	5	4
8) Experience in PRC	5	3

*1 = Minimal importance, 5 = Major importance

**3 = Neutral, 4 = Strength, 5 = Major strength

8.1.2 Weaknesses

	Importance in the market*	Score**
a) Sales team	5	2
b) Service team	5	1
c) Expensive after sales service	5	1
d) Network of relationship	5	2
e) Brand name in PRC	4	2
f) Efficiency within organization	3	2
g) Product range	4	2
h) Product Price	5	1

*1 = Minimal importance, 5 = Major importance

** 1 = Major weakness, 2 = weakness, 3 = neutral

8.1.3 The Competitive Matrix

	Strengths (5)	Weaknesses (1)
High importance in the market (5)	1,5 7 6, 8 3 2	A,D B,C,H G,E
Low importance in the market (1)	4	F

Figure9 : The Competitive Matrix. Framnes et. al (2006)

8.2 External Environment

The external environment is SP's opportunities and threats, identified in the external analysis.

8.2.1 Opportunities

The authors have evaluated SP's opportunities in the market, and have graded them in the opportunities matrix in accordance to how attractive they are for SP and their probability to occur.

	Attractiveness*	Probability**
1) Increase after sales service	5	4
2) Expanding in High-end market	5	5
3) Leading technology and innovation	5	4
4) Increase marketing activities	4	5
5) Development of new relationships	5	4
6) Increasing product range	5	4

*1 = low attractiveness, 5 = high attractiveness

** 1 = low probability, 5 = High probability

8.2.1.1 The Opportunities Matrix

	High Probability (5)	Low Probability (1)
High attractiveness (5)	2 1, 3, 5, 6, 4	
Low attractiveness (1)		

Figure 10: The Opportunities Matrix. Framnes et. al (2006)

8.2.2 Threats

In the threat matrix, the authors have evaluated SP's threats in the market, and graded them in accordance to how serious they are and their probability to occur.

	Seriousness*	Probability**
1) Competition	5	5
2) New market entrants	3	2
3) Competitors' prices	5	3
4) Similar products	4	5
5) Powerful buyers	4	5
6) Risky legal system	2	3

*1 = Low seriousness, 5 = high seriousness

**1 = Low probability, 5 = high probability

7.2.2.1 The Threats Matrix

	High Probability (5)	Low Probability (1)
High Seriousness (5)	<div>1</div> <div>3</div> <div>4,5</div>	<div>2</div>
Low Seriousness (1)	<div>6</div>	

Figure 11: The Threats Matrix. Framnes et al. (2006)

8.3 SWOT summary

To get an overview over SP's strategic position and possibilities in the market, a summary of the SWOT will be presented. The authors will present the factors they find most crucial for SP's position and further development. This will provide a basis for their further market strategy.



Figure 12: Major SWOT. Made by the authors 2011

9. Strategic Problem Definition

The SPD is developed through the internal and external analysis, summarized in a SWOT analysis, whereby the most important factors are making a basis for SP's further strategy.

“How can Scana Propulsion expand in the high-end market, be leading in technology and innovation and develop new relationships, with their good quality and high technology and innovation capabilities, in order to stay competitive, differentiate themselves from the competitors prices, and the powerful customers, with their small service team, expensive after sales service and small product range?”

10.Goals

The goals are developed in corporation with the authors and representatives from SP. It has been distinguished between operative goals and strategic goals.

10.1 Operative goals 1-2 years

The operative goals for SP are set as:

- Establishing a Wholly foreign owned enterprise (WFOE) for SV Shanghai
- Sales target for 2011 – 100 million NOK.
- Increased product range, by produce bigger sized tunnel thrusters and Azimuth Thrusters, in order to meet market needs.

10.2 Strategic goals 3-5 years

The strategic goals for SP are set as:

- Create a market and brand recognition for SP in PRC
- Expand customer base through relationship networks.
- Keep the leading position in Propulsion technology and innovation
- Increase sales force and after sales service
- Create a market for repairs and service in PRC, where SP will be leading

11. Critical Success Factors

The CSFs are determined from what the authors found to be crucial to be present, according to the SPD and goals the authors have outlined for SP. The CSFs are stated as followed:

- Improve sales team in order to develop a bigger network of relationship
- Keep up focus on innovation and latest technology
- Find customers that rely on SP to provide repairs in the upcoming service market.
- Utilize the lower cost of PRC market
- Find skilled people
- Development of SP's product range in order to increase market share in the offshore segment in PRC.

Part V: Strategy and Recommendations

12. Strategy according to organizational decision making

The theory of the buying process will be conducted to create a strategy for SP towards Chinese customers in “the new task situations”. Even though Chinese business strongly relies on relationships, the adaption of this Western model is getting more common for Chinese ship owners and shipyards when they are choosing suppliers for new projects (Chen Interview 2011). As the authors found “the new task situation” as the best strategy focus for SP, this process can be significant in the development of a strategy based on how to reach the Chinese ship owners and shipyards in such a situation. It is as mentioned in “the new task situation” the whole buying process is most commonly exploited. From the analysis of the different buying situations, the authors find “the new task situation” as the right strategic choice for SP further focus, seeing that this is where they can influence the decision most. Besides, due to SP’s strengths and weaknesses, and the market position SP holds, the new projects are the most optimal strategy. As the buying process is used as a basis for the strategy, the human aspects of the buying centre is merged into this process. The purpose of this is to generate a strategy for SP that includes the complexity of the decision making process.

12.1 Problem identification

SP has to continuously influence the buyer before the problem identification, to be in the buyer’s mind when the problem arises. The initiators in the buying centre are important to influence at this stage, as they are the ones that identify the problem. Through the analysis of the buying centre, the authors find it most important to influence the ship owners. The initiator role is one of the many roles the ship owners possess in the buying centre, and it is commonly the purchasing or technical department within the ship owner company that recognizes the problem. As there are different suppliers in the market, it is important that SP

consistently make company visits. By doing this, SP can also make sure the ship owners are up to date about their products, and remember their latest information. It is advised that suppliers should do a customer analysis, in order to uncover unfulfilled needs (Biong and Nes 2005). This is a strategy the authors find wisely for SP to implement, and can result in a first mover advantage when exposing their solutions to a new problem.

To sum up, the best strategy for SP, in order to approach potential customers at this stage, would be to constantly influence the initiators, to create brand awareness through company visits and distribution of product information.

12.2 Solution development

As a further development from the customer analysis strategy, SP can make a basis for inputs and solutions to the ship designers and ship owners. Seeing that the ship designers and ship owners make the final solution to the problem, these ought to be approached by SP. The ship designers have in addition major influence on the final decision. It is important that SP is in constant dialogue with the ship designers to be recommended to the ship owners. In order to be recommended, SP also needs to provide specialized products, which are appropriate for the project.

It would be beneficial for SP to create a good relationship with both the relevant ship owners and ship designers in order to be a more evident choice of supplier. By establishing relationships with the ship designers, SP can more efficiently update the ship designers on their products and new technology. SP can in addition convey the product's unique quality, which is of high value to the ship designers (Du and Mao Interviews 2011).

The authors found the best strategy to approach customers in this stage of the buying process, in order to be chosen for "The makers list", would be to influence the ship designers and ship owners by establishment of relationships. A major strategy for SP should be to promote and persuade that SP's products are of the best quality and technological solutions, towards the influencers. To differentiate

SP among their competitors' prices, SP needs to stress their superb quality and technical solutions, by continuously provide information about this to the ship owners and ship designers. At this stage, SP would not be evaluated if they cannot offer the solutions required. Due to this, the authors find it crucial that SP focus its strategy towards the right project. One possible strategy for SP at this stage is to emphasis the opportunities in the Chinese market of developing bigger sized tunnel thrusters, with SV in Norway. If these are developed soon, SP would gain a first mover advantage for these products in the market. Additionally, this would help establish SP's wanted reputation as the leading supplier of new technology and innovation.

12.3 Product specification

The most important for SP at this stage is to offer the right products to the right project. By increasing their product range they will be more flexible to deliver tailored solutions. One of SP's critical strategies is maintaining the corporation with MaK. The authors see the development of SP's product range as crucial in order to be competitive and reach their operative and strategic goals. Again, SP in PRC needs to stress the importance of offering a wide product range in the competitive market in PRC, towards SV in Norway. By increasing the product range with bigger sized tunnel thrusters and Azimuth thrusters, SP would be suitable for more projects, and additionally create more sales for SP in other projects. According to Mr. Zhu (Interview 2011), SP has previously lost projects due to the lack of these products. If SP can offer the customers these products, they can be the best fit for the developed product specifications.

It is also essential at this stage that SP directs most effort towards affecting the influencers in the buying centre; the ship designers and the technical department in the ship owner company. Seeing that the ship designers are of huge influence to the ship owners, and it is the ship designer and technical department that develop the product specification (Du and Mao Interviews 2011).

12.4 Search for and qualification of potential suppliers

As the potential customers search information about relevant suppliers is on exhibitions, among other channels (Chen, Jiang and Yin Interviews 2011), the authors found this important to be included in SP's strategy. SP should implement a strategy towards these exhibitions, in order to expand and be more noticeable. The authors found the placement on these exhibitions, the stands size, and the design of importance. This can again create a more favourable image, and increase brand awareness for SP, as well as the information about the products can be more efficiently distributed.

As the authors have suggested, should SP's main strategy focus on new projects, where the potential customers search for information through different channels (Chen Interview 2011). As previously stated is Internet an increasing source for information search and it is important for SP to be visible on relevant web sites for the supplier's search in PRC.

It is important that SP distributes brochures and information about the products and the organization it selves. By doing this, SP would provide the potential customers with useful and important information that could be relevant for the customers. Industry magazines are yet another way for SP to promote themselves. It is common that information about the different supplier's products is shown in the magazines. This is yet another source for the customers to seek information. (Zhu Interview 2011)

SP needs to outline a proposal, in order to compete. As well as it is crucial that SP is a part of the evoked set, to get on "The makers list". If SP is not on "The makers list" they will not be able to participate further in the buying process, as they will not be considered (Zhou Interview 2011).

At this stage SP needs to influence the gatekeepers, as these distributes information and can influence the decision. As the authors have identified the most important gatekeepers to influence as the purchasing department and the

technical department, SP needs to develop a strategy to reach these. SP should at this stage have established a relationship with people working in these departments, as information of importance can be withheld. At this stage it is essential for SP to maintain and evolve the already established relationships.

One of SP's strengths is their good reputation in the industry (Zhu Interview 2011). The authors find it important for SP to exploit this issue, and should therefore include WOM as a marketing strategy. This strategy is significant in the relationship-oriented business culture of PRC. SP has to focus on their strengths, in order to create positive WOM effect, such as their high quality products and the knowledge about technology and innovation. Seeing that it is the existing and previous customers that create SP's reputation through their WOM, these relations need to be continuously cultivated.

12.5 Collection of offers

When the offers are collected, it would be helpful for SP to have relationship with a key person within the ship owner company, in order to be able to deliver a competitive offer. This person would be a gatekeeper that has influence within the ship owner company. A strong relationship can provide SP with information about the competitors' proposals, so SP could match or make a better proposal. This entails that SP has to develop a better relationship with the customers, than their competitors. (Zhou Interview 2011) As some of SP's weaknesses are that they have a small sales team and a small network of relationships, these have to be improved. An increased sales team will further improve, as well as build new relationships.

Another important aspect is to create better efficiency within the organization, when it comes to development of elements in the contract. SP is using SV to outline the offers and contracts. This is very time consuming, and SP might not be as efficient as their competitors. This is a huge disadvantage, as SP would have less contact with the customer, while waiting for information from SV. A development of the WFOE, which is one of SP's operative goals, is wisely in order to improve this process, as SP could outline their offers.

12.6 Evaluation and selection of offers

SP needs to focus their resources towards the establishment of trust and reciprocity through continuous contact, in order to be competitive on the Chinese market. The final negotiations are made at this stage, and a crucial factor to consider in the strategy is the high bargaining power of the buyers in this industry. As the competition is hard between the different suppliers in the market (Zhu Interview 2011), it has to be of SP's strategy to adapt to the buyer, and be able to offer what is required and preferable.

As it is analysed differences between SOEs and POEs, the authors evaluated whether it is necessary to develop two different strategies, to approach the decision-makers. The authors have concluded that SP can implement the same initiatives, but has to influence more people for SOEs.

The authors found the final decision-makers as one of the major participant in the buying centre that SP should establish and maintain great relationships with. A strategy for SP at this stage is to avail more resources for socializing with customers. According to Mr. Inermo (E-Mail Interview 2011), his way to approach potential Chinese customers is through hard work, travelling and socializing, in other words "winning and dining". Invite existing and potential customers to seminars where a presentation of SP's products is held, together with socializing over dinner, is one strategic option. SP should in addition invite the decision-makers to their office, in order to show them how SP as an organization works. The establishment of the new office in June 2011 could make the decision-makers perceive a preferable image of SP. One aspect of high importance is to maintain this relationship, in order for SP to always be of awareness to the decision-makers. SP should continuously keep in contact and visit their potential customers.

12.7 Ordering and receiving of goods

The orders SP receives from customers are produced by SV in Norway (Zhu Interview 2011). It is therefore essential that SP has a good communication and delivery system that makes this process as efficient as possible. By delivering on time and as promised, SP's reputation among customers could be strengthening through WOM. Another considerable strategy for SP to conduct at this stage is their ability to adjust the delivery time. Mr. Yin (Interview 2011) stated his preference for suppliers that could be flexible to the shipyards needs.

The ones in the buying centre that are noteworthy to influence at this stage in the process, are the purchasers. SP needs to influence the purchasers on one of their other roles in the buying centre. When the orders are to be placed, the decisions are already made. The price level SP offers are one of their major weaknesses; the authors find it wise to focus on the technical department within the ship owner's organization.

12.8 Evaluation

For SP, this part of the buying process is extremely important, in order to maintain relationships. If a customer is satisfied with SP, it can be the first step of a long-term relationship, which will be very profitable for SP. SP has to live up to their promises in order to be preferred to their target customers.

The authors have identified the small service team and expensive after-sale service SP possesses as major weaknesses. When the customers are to evaluate the products; service and after-sale service are of high importance. The best strategy for SP is to influence the customers in order to be satisfied with SP's products, by providing the service needed. By expanding the service team, and lower the cost for customer service, the workers could be more prepared and efficient when working with SP's products. As it is the workers in the shipyards, and the operators and crew on board of the finished ships who are the users in the buying centre, these are the ones that are crucial to influence and satisfy at this stage. It would create greater experience for the users and the organization as whole, when working with SP, which is beneficial for SP's reputation. SP's strategy should be to hire qualified workers, and give further training to the

already existing ones. This can be difficult, as there are few people in PRC who hold these skills. However, by employing local people, SP can utilize the lower costs in PRC and be more competitive, which is a CSF. (Zhu Interview 2011)

To sum up, the authors have stressed the importance of relationships as a strategy in order to approach the participants at the different stages in the buying process. To provide SP with an overview over which strategy to apply for relationships at each stage of the buying process, the authors have illustrated this in a Figure:

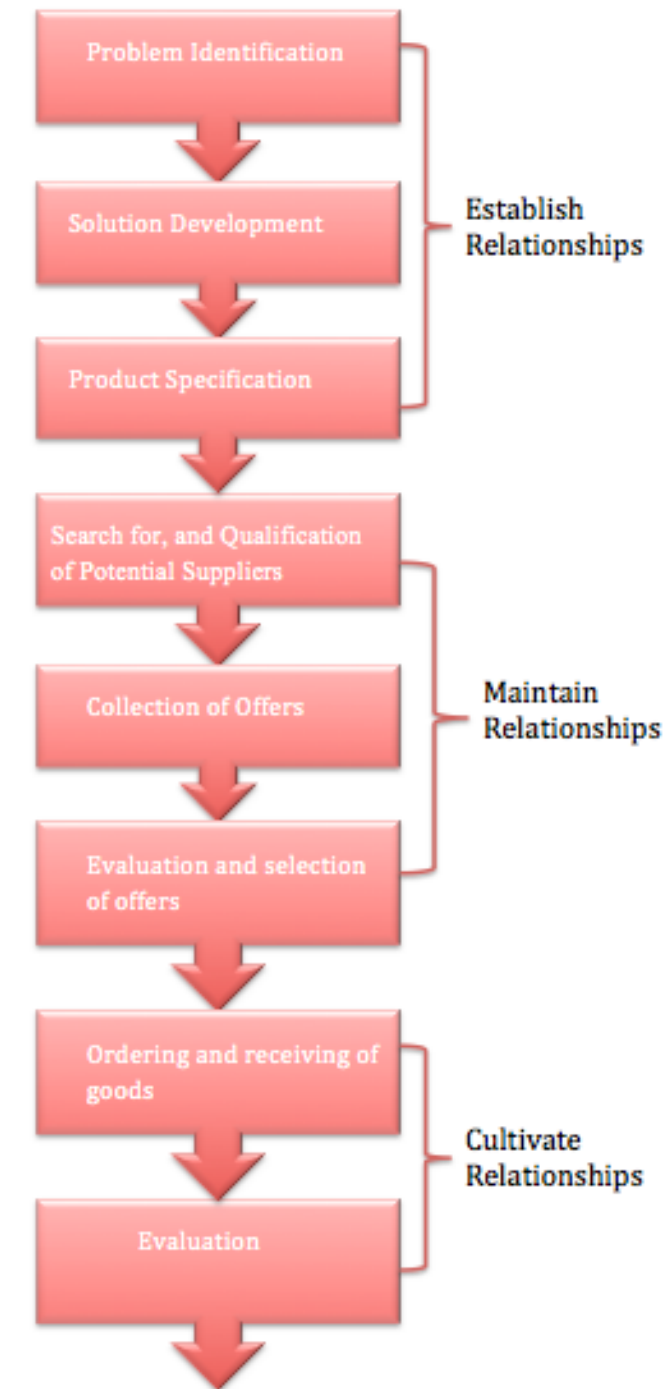


Figure 13: The Buying Process and Relationship. Made by the authors 2011

13. Alternative Strategies

The purpose of this chapter is to provide SP with concrete strategies they can implement in order to reach their goals. These strategies have been developed with a basis in the strategy on how they should approach their customers in the decision making process. The authors have chosen three alternative strategies, which they find best for SP, due to the developed SPD, goals and CFS.

13.1 Strategic alternative 1

The first alternative the authors have chosen as a strategy for SP, in order to reach the goals stated; is to have a main focus on marketing activities and expansions of network to develop relationships. The importance of a big network of relationships and good reputation in PRC, have been stressed throughout the whole thesis. Seeing that SP has a small network of relationships today, which the authors found as a weakness and an opportunity, this can be turned into a strength if SP strategically make this their main focus. By focusing their resources on expanding their network, SP can be the chosen supplier due to increased brand awareness and reputation. In order to succeed with this strategy a CSF is to increase the sales team. This strategy is best for SP in order to approach the participants in the first stages of the buying process, whereby establishment of relationship and reputation is significant in order to be chosen.

13.2 Strategic alternative 2

The second alternative the authors have chosen as a strategy for SP, in order to reach the goals stated, is to expand the product range. SP should expand their product range with Azimuth thrusters and bigger sized tunnel thrusters, in order to meet new customer demands. Azimuth thrusters are designed to be flexible, and has the capability to remain completely still in the water. This is important for complex vessels such as drilling ships, but also for less complex vessels that operates within a hub. By developing and producing bigger sized tunnel thrusters, SP can achieve a first mover advantage, and by this, create better brand awareness and reputation. By expanding the product range, SP would be a more suitable

choice of supplier, as they are more likely to be chosen for new projects. This strategy is best for SP in order to approach the participants in the middle stages of the buying process, where solutions and product specifications are significant in order to be chosen.

13.3 Strategic alternative 3

The third alternative the authors have chosen as a strategy for SP, in order to reach the goals stated, is to have main focus on expanding the service team. As identified, the importance of delivering great after sales service is high in the offshore segments. By expanding the service team, make it bigger and more efficient, SP would be able to eliminate two weaknesses and make them into strengths. The preferable after sales service will be delivered, and the price can be reduced by utilizing the low cost of the workforce in PRC, by finding skilled local people, which again are CSFs for this strategy to succeed. This strategy is best for SP in order to approach the different participants at the last stages in the buying process, where the after sales service is significant.

14.Recommendation

The purpose of this chapter is to provide SP with concrete recommendations from the authors, upon which of the alternative strategies that should be implemented. The authors would recommend SP to implement a combination of the first and second alternative strategies; increase network of relationships and marketing activities, and expand their product range. These two strategies are the ones that include the first parts of the buying process, where SP can influence the decision most. As the authors have previously recommended SP's strategy to be focused towards new projects, the increased product range is an opportunity SP should not let pass, as this could make them more suitable for new projects. Additionally, the network of relationship and reputation is inevitable in the PRC market. Seeing that the strategic alternative three also is significant, the authors found this strategy essential for SP to implement in the long term, after they have succeeded with the author's recommendations. Due to SP's resources and to get a clear

focus, they need to implement the third strategy at a later stage. The authors found it most important for now, that SP focus on getting chosen for new projects, and later improve the service offer. Concrete recommendations on how SP could implement the strategy recommended, in order to succeed, will be presented.

14.1 Expand network of relationships

14.1.1 Marketing Activities

Marketing activities must be put into action in order to increase brand awareness. The importance of awareness on exhibitions and fairs has also been stressed, and this is one way for SP to display their products and be noticeable for potential and existing customers. This is an important initiative that should be continued and improved by better the stand's location and size. SP should in addition to exhibitions and seminars, be apparent in industry magazines and on relevant supplier web sites. This can provide SP with a favourable image, and create a positive WOM and IWOM, which again leads to greater brand awareness and reputation.

14.1.2 Relationships

SP's main focus should be establishment of new relationships, and maintain and cultivating the existing relationships. In order to do so, the authors see it necessary that SP continually focus on customers and projects, which are suitable. It is vital that these relationships already are established when the problem arises. To attract new customers and develop relationships with existing customers, SP should focus on socializing, and company visits. SP should invite customers to their office to show how the organization works, and also to be attentive to the customers. SP should also arrange meetings with the clients, to present their products. In order to gain this bigger network of relationships, SP needs to increase their sales team, which is one of the CSF that would be present. If the sales team increases, SP can spend more resources on establish relationships.

14.2 Product range

In order to expand the product range, SP would have to assure SV in Norway that this will be profitable in the long-term in the PRC market. With SV's approval and commissioning, SP can begin offering Azimuth thrusters, and bigger sized thrusters, suitable for both ships that need the flexibility of Azimuth thrusters, and the larger ships needs for bigger sized thrusters. This will provide SP with a bigger market share, and help them to be more sufficient in capturing new projects. In addition, this can provide SP with a better image and reputation. As the authors have identified "the new task situations" as the best choice for SP to focus on, this will be a natural entry strategy. If SP engages SV in Norway to keep sustainable innovation by develop the new products, two more of the CSFs would be present. Additionally, SP's representation office in Shanghai could focus on expanding networks of relationships and marketing activities in PRC.

14.3 Further long-term recommendations

Even though the authors find a combination of strategic alternative one and two, to be the best strategy for SP to focus on now, alternative three should not be disregarded. The authors found the strategic alternative three to be crucial for SP to implement in the future, and should therefore be kept as a strategic goal. The authors found it more important considering the position SP possesses, that the other two alternatives make up SP's strategy, as these strategies could make SP suitable for more projects. By concentrating on getting chosen for new projects first, they will be able to increase their brand name, reputation and network. After SP has gained more Chinese customers due to these strategies, the need for a service team will be extended. As previously stated, Chinese workers are commonly not qualified to work with high technological solutions, which the high-end market consist of. The need for service will be significant for SP in the future in order to enhance performance in the offshore segment. With the service team, SP is able to utilize the lower costs of the workforce in PRC, which yet is a CSF in order to be competitive in the service market.

Part VI: References and Appendix

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16. Appendix

The purpose of this chapter is to provide the reader with information on the interview guides used during the interviews. The authors have categorized the interview questions under each research question, to ensure that each research question would be answered. Noteworthy, research question number 4, with the purpose of discovering differences between ship owners and shipyards, has not been included in the interview guide. This is done consciously due to the fact that this research question is answered by comparing the ship owners and shipyards interviews.

16.1 Interview Guides

16.1.1 Interview guide for Western and Chinese ship owners and ship yards.

Name:

Position:

Education:

Experience:

1. How does the decision-making process for Chinese ship owners and shipyards differ from the West, and how does the complex Chinese business culture affect the decision-making process?

- How important is the first time meeting with a potential supplier? If yes, why is it important? If no, why not?
- Would you say your company is willing to take risks? (If yes) do you have any examples?
- The suppliers you use today, does your company have a personal relationship with them?
- Could you imagine changing your supplier? (can you explain your answer further?)

-
- (If no) Wouldn't you consider changing supplier if there was a greater offer on the market?
 - Have many years have you been using these suppliers?
 - When you are to purchase propulsion systems, what are the absolutely first activities that you put into action?
 - Before researching different suppliers, how do you choose the companies you want to look deeper into?
 - Which channels do you use to seek out information about potential suppliers?
 - Can you rank the channels out of which you use the most?
 - How important is "The makers list" when you considering suppliers?
 - How long time does it take from the problem recognition till you purchase a product?

2. Who does the buying centre consist of, and who has the most power and influence when making a decision?

- When you are in need of buying a new product, who usually takes the initiative to get the buying process started?
- When making a purchasing decision who influence your decision? In what way?
- Which person has the final say? What does he or she do and which position does he or she possess?
- Who is buying the product at the end? We are thinking about who is doing the paperwork and who place the order.
- If a potential supplier is trying to contact your company, who will they first meet?
- If a company want to give a presentation on a new product, who will the person that the company first meet, set them up with?

3. Are there any regulations that are crucial for the decision-making process?

-
- Are there any regulations that influence your choice of supplier?
 - Do your ships sail domestically or internationally?
 - Does the need of certification of materials and components influence your choice of supplier?
 - Are there any other economic-, political-, technological, or social factors that are of importance when you are purchasing a new product?
5. *What are the Chinese ship owners and shipyards preferences and expectations to a potential supplier, and what product and service attributes are of highest and lowest importance?*
- Can you rank the attributes you find most important when purchasing a product?
 - Price
 - Quality
 - Service
 - Relationship with the supplier
 - Nationality of the supplier
 - That the supplier can speak Chinese
 - Can you explain the ranking, why you put the attributes where you put them?
 - What does your company expect from your supplier(s) and purchased products?
 - What does your company want from your supplier(s) and purchased products?
6. *How are SP's main competitors approaching the Chinese ship owners and shipyards in the offshore segment?*
- Which suppliers have you used on your two last orders? Were they new or existing suppliers?

-
- Can you give an example of how a supplier that you use today first approached you in the beginning of the relationship?

16.1.2 Interview guide for Western ship designers

Name:

Position:

Education:

Experience:

1. How early in the process of building a ship, are you contacted?
2. At what time in this process do you think it is most wisely for a supplier to go in and influence you as a designer?
3. Who do you think is most important to influence in the decision making process for a supplier?
4. Do you have influence when it comes to the company you are designing for, in their process of purchasing a new product?
5. Except from the influence you have on the process, do you have any power or final say when it comes to the final decision?
6. Do the suppliers you recommend often get chosen?
7. What do you expect from the supplier(s)?
8. What do you expect of the purchased products?
9. What do you prefer from the supplier(s)?
10. What do you prefer of the purchased products?
11. How would you prefer to be approached by a potential supplier?

12. Can you rank the attributes you find most important when choosing a supplier?

- a. Price
- b. Quality
- c. Service
- d. Relationship with the supplier
- e. Nationality of the supplier
- f. That the supplier can speak Chinese
- g. Impression of the representative from the company
- h. Reputation of the company

Can you explain the ranking, why did you put the attributes where you put them?

13. Who in the buying center do you think is most concerned with quality?

14. If it occurred any complications with the ship, who would be responsible, and who do you think would be most negative affected?

15. Do you think this person is more concerned with quality than the others in the buying center?

16.1.3 E-mail Interview for Western marine supplier company

Name:

Position:

Education:

Experience:

- 1. Hvor viktig er det første møtet med en potensiell kunde? Hva er viktig for deg, og hva er viktig for kunden?
- 2. Har du et personlig forhold med kundene ditt firma opererer med i dag? Og hvor mange år har dette samarbeidet vart?

-
3. Hva er de første aktivitetene ditt firma iverksetter når dere søker etter nye kunder? Dersom du har sett deg ut en interessant kunde, hvordan søker du informasjon om de?
 4. Relasjoner er viktig i Kina, er det noen norske restriksjoner som hindrer deg i å etablere relasjoner med kinesiske kunder i ønsket grad? Hvis ja, hva?
 5. Kan det skje at du får henvendelser fra kunder, eller er det du som oppsøker dem? Hvordan foregår prosessen?
 6. Hvordan gikk ditt firma frem for å komme i kontakt med potensielle kinesiske kunder?
 7. Hvor tidlig i prosessen går du inn for å påvirke et eventuelt salg/kjøp?
 8. Hvilke kunder bruker du mest tid på? Rederier, skipsverft eller designere?
 9. Hvem tar beslutningen om kjøp i firmaene du selger til?
 10. Er det en fordel at ditt firma er registrert i Norge, og leverer et norsk produkt? Hvis ja, hvorfor?
 11. Hva gjør du for å påvirke dine kunder til å kjøpe dine produkter?
 12. Føler du at ditt firma har entret Kina med suksess? Hvis ja, hva har dere gjort riktig? Hvis nei, hva ville du gjort annerledes?

16.2 List of interview objects

16.2.1 Internal interviewees from SP

- Jack Zhu, the authors contact person, and Chief Representative of SV, Shanghai
- Daniel Zhou, Sales Manager of SV, Shanghai

16.2.2 Chinese ship owners

- Chen Feng, Manager of Technical Department of Shanghai offshore petroleum bureau, SINOPEC.
- Jiang Wen Hui, Deputy Fleet Director of Donghai Rescue Bureau.
- Huang Shun, in charge of Material Purchasing of Shanghai Kaichuang Deep Sea Fisheries Co., Ltd.
- Hu Shouyuan, Senior Adviser of Avic International Shanghai Co., Ltd.

16.2.3 Chinese shipyards

- Yin Shusong, Manager of Purchasing Department of Nantong Mingde Heavy Industry.
- Xu Wei, Project Manager of Zhejiang Shipbuilding Co., Ltd., Ningbo.

16.2.4 Western ship owner

- William Wang, Senior Purchaser of Norgas Fleet Management Co., Ltd.

16.2.5 Western ship designers

- Kirk Du, Deputy Managing Director of the Ulstein Group, Shanghai
- Mao Liling, Senior Engineer Chief Representative of Havyard Shipyards, Shanghai.

16.2.6 Western marine supplier company

- Jari J. Inermo, General Manager of Marine Aluminium Co., Ltd., Ningbo.